

No. 345

AN ACT

HB 1452

Relating to and regulating the business of savings associations heretofore designated under other acts and special charters variously as building and loan associations and savings and loan associations; defining the rights, powers, duties, liabilities, and immunities of such associations; affecting persons engaged in the business of savings associations; affecting the members, account holders and borrowers of such associations; affecting Federal savings and loan associations whose principal office is located in the Commonwealth; prohibiting the transaction of business in this Commonwealth by foreign savings associations; conferring powers and imposing duties on certain departments and officers of the Commonwealth and on the courts, recorders of deeds; creating a Savings Association Board and defining its powers and duties; prohibiting certain actions and imposing penalties, and repealing certain acts.

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

ARTICLE I

General Provisions

Section 101. Short Title.—This act shall be known, and may be cited, as the “Savings Association Code of 1967.”

Section 102. Definitions.—The following words and phrases when used in this act shall have, unless the context clearly indicates otherwise, the meanings given to them in this section:

(1) “Articles,” the original articles of incorporation, any or all amendments thereto, articles of merger, consolidation, conversion or dissolution.

(2) “Assets,” all the property and rights of every kind of the association.

(3) “Association,” any savings association organized under this act and includes also any building and loan association or savings and loan association heretofore organized under or by virtue of any other act or law of this Commonwealth.

(4) “Attorney,” an attorney at law who is, or is a member of the firm which is, regularly retained as counsel for an association.

(5) “Branch,” an office or place of business other than the principal place of business of a savings association for the transaction of any business of the association except an agency existing at the effective date of this act in which an association had authorized any corporation or person to collect dues, interest, premiums and fines in any city, borough or township in the Commonwealth other than a place of business of the association.

(6) “Collateral,” personal property pledged to secure payment of an obligation.

(7) "Department," the Department of Banking of this Commonwealth.

(8) "Evidence of indebtedness," a bond, note or similar instrument evidencing obligation of a borrower or debtor.

(9) "Fair market value," the value determined by an appraisal made in accordance with regulations to be issued by the Department of Banking. In the event such regulations are not issued the appraisal may be by two or more members of the board of directors or officers of the association or by an independent appraiser, who is acceptable to the department. Said appraisal shall be retained in the files of the association.

(10) "Housing facilities for the aging," housing accommodations, individual or multiple, designed for the purpose of providing accommodations for occupancy by aging persons or 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.

(11) "Incorporator," a signer of the original articles of incorporation.

(12) "Insured association," an association whose savings are insured as provided by the National Housing Act of 1934, approved the twenty-seventh day of June, 1934, its amendments and supplements.

(13) "Leasehold interest," a lease upon real estate which is security for the payment of an obligation and which by its terms as a lease has a period of not less than five years to run after the date of the maturity of the obligation, or is renewable for a period terminating not less than five years after the date of the maturity of the obligation. It must also provide that the right of renewal of the lease may be exercised by the mortgagee until the obligation is discharged.

(14) "Loans on the security of savings accounts," loans which are secured pursuant to the provisions of this act by a note of the borrower and the pledge of a savings account.

(15) "Loss reserves," the aggregate amount of the reserves allocated by an association for the sole purpose of absorbing losses.

(16) "Maturity date," the date on which the last payment required to be made to retire an indebtedness or obligation is due and payable.

(17) "Member," a person holding a savings account of an association and a person borrowing on the security of a mortgage or purchasing property upon which a mortgage lien is held by an association. A joint and survivorship relationship whether savers or borrowers constitute a single membership.

(18) "Mortgage loans," loans which are secured pursuant to the provisions of this act with a bond or note or other evidence of indebtedness of the borrower, and by a mortgage on real estate in fee simple or leasehold.

(19) "Net worth," the sum of an association's general reserves and surplus.

(20) "Regular lending area," this Commonwealth and within fifty miles of the boundary thereof or within one hundred miles of the main office of an association without regard to the Commonwealth boundary lines.

(21) "Resulting association," the association which continues after a merger or after the conversion of a Federal savings and loan association or a savings bank to an association.

(22) "Savings account," the amount paid in cash to an association by a member for investment plus all earnings credited thereto, less all withdrawals, redemptions and charges.

(23) "Savings bank," a corporation without capital stock existing under the laws of this Commonwealth as a savings bank and authorized under the Banking Code of 1965 to receive savings deposits.

(24) "Savings liability," the aggregate amount of savings accounts of members including earnings credited to such accounts less redemptions and withdrawals.

(25) "Service corporation," a corporation organized under the laws of the Commonwealth of Pennsylvania the entire capital stock of which corporation is available for purchase only by savings 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 Commonwealth of Pennsylvania and by savings banks.

(26) "Surplus," the earnings and profits of an association which have not been allocated to savings accounts or to a loss reserve.

(27) "Withdrawal value of a savings account," the credit balance of a savings account at any particular time as shown by the books of an association.

Section 103. Declaration of Purposes; Standard for Exercise of Power and Discretion by Department.—(a) The General Assembly declares as its purposes in adopting this act to provide for:

(1) The safe and sound conduct of the business of associations subject to this act,

(2) The conservation of their assets,

(3) The maintenance of public confidence in them,

(4) The protection of the interests of the owners of savings accounts, creditors and of the interest of the public in the soundness and preservation of the savings and loan system,

(5) The opportunity for associations subject to this act to remain competitive with each other, with financial organizations existing under other laws of this Commonwealth, and with savings and financial organizations existing under the laws of other states, the United States and foreign countries,

(6) The opportunity for associations subject to this act to serve

effectively the convenience and needs of owners of savings accounts, borrowers and other customers, to participate in and promote the economic progress of Pennsylvania and the United States and to improve and expand their services and facilities for those purposes,

(7) The opportunity for managements of associations to exercise business judgment, subject to the provisions of this act, in conducting the affairs of associations, to the extent compatible with, and subject to, the purposes recited in the preceding clauses of this subsection (a),

(8) A delegation to the department of adequate rule-making power and administrative discretion, subject to the provisions of this act and to the purposes stated in this subsection (a), in order that the supervision and regulation of associations subject to this act may be flexible and readily responsive to changes in economic conditions and to changes in savings and loan practices, and

(9) Simplification and modernization of the law governing savings associations.

(b) The purposes of this act stated in subsection (a) of this section shall constitute standards to be observed by the department in the exercise of its discretionary powers under this act, in the promulgation of rules and regulations, in the examination and supervision of associations subject to this act and in all matters of construction and application of this act required for any determination or action of the department.

Section 104. Rules of Construction.—In the interpretation and construction of this act:

(a) The comments of the commission which drafted this act may be consulted in the construction and application of its original provisions but the text of the act will control in the event of a conflict between text and comments.

(b) A reference in this act to a statute or to a regulation issued by a governmental agency includes the statute or regulation with all amendments and supplements thereto and any new statute or regulation substituted for such statute or regulation, as in force at the time of application of the provision of this act in which such reference is made, unless the specific language or the context of the reference in this act clearly includes only the statute or regulation as in force on the effective date of this act.

(c) A reference in this act to a governmental agency, department, board, commission or other public body or to a public officer includes an entity or officer succeeding to substantially the same functions as those performed by such public body or officer on the effective date of this act, unless the specific language or the context of the reference in this act clearly includes only the public body or officer on the effective date of this act.

(d) A power of an association stated in this act to be subject to

regulation of the department may be exercised, subject to the provisions of this act, in the absence of such regulation but a power which is stated to be subject to approval or permission of the department may not be exercised in the absence of such written approval or permission.

(e) The provisions of this act are severable so that if any provision or the application of this act in particular circumstances should be held to be invalid, such invalidity will not affect any other provision or application of this act which can be given effect without the invalid provision or application.

(f) Provisions of this act for the violation of which specific penalties are imposed under Article XV of this act are indicated by inclusion in the provisions of the phrase "subject to the penalty provisions of this act" or its equivalent.

Section 105. Emergency Powers.—In the event a nuclear attack or other disaster results in the declaration of an emergency an association may during the continuance of such emergency, without regard to any restriction or limitation of this act, take any action to preserve the assets of the association and to continue or resume its¹ business, including any action to obtain the benefit of, or participate in, emergency action authorized by the Federal government.

Section 106. Certificates and Certified Copies of Documents to be Received in Evidence.—All certificates issued by the Department of Banking and by the Department of State and all copies of articles, papers and other documents filed in either department and certified by the Secretary of the Department of Banking or by the Secretary of the Commonwealth shall be taken and received by all courts, public offices, and official bodies as prima facie evidence of the facts therein stated.

Section 107. Advertisement.—(a) Every advertisement required by this act shall be published, except as otherwise provided in this act, once in a newspaper of general circulation and once in a legal newspaper.

(b) The newspaper of general circulation for publication of advertisement shall be one published in the English language, shall satisfy the requirements of the Newspaper Advertising Act and shall be:

(1) A newspaper which is one of general circulation in the county and is published in the city, borough or township in which the principal office of each association required to publish the advertisement is, or the principal office of such a proposed association will be, located, or if there is none,

(2) A newspaper of general circulation in such county, published at the county seat, or if there is none,

(3) The newspaper of general circulation published in the county

¹ "business" in original.

at the place nearest such city, borough or township, or if there is none,

(4) The newspaper of general circulation published at the place nearest such city, borough or township in an adjoining county.

(c) The legal newspaper for publication of advertisements shall satisfy the requirements of the Newspaper Advertising Act and shall be one published in the county in which the principal office of each association required to publish the advertisement is, or the principal office of such a proposed association will be, located. If there is no legal newspaper published in such county, the advertisement shall be published in an additional newspaper of general circulation in the county but if there are not two such newspapers, then only the advertisement provided for under subsection (b) of this section shall be required.

Section 108. Notices.—(a) Written notice required to be given to any person under the provisions of this act or under the articles or bylaws of an association may be given to such person, either personally or by sending a copy thereof through the mail, or by telegram, charges prepaid, to his address appearing on the books of the association, or supplied by him to the association for the purpose of notice. If the notice is sent by mail or by telegraph, it shall be deemed to have been given to the person entitled thereto when deposited in the United States mail or with a telegraph office for transmission to such person. If such notice is of a meeting, it shall specify the place, date and hour of the meeting, and, in the case of a special meeting of members, the general nature of the business to be transacted.

(b) Any written notice required to be given under the provisions of this act or the articles or bylaws of an association need not be given if there is a waiver thereof in writing, signed by the person entitled to such notice, whether before or after the time when the notice would otherwise be required to be given. If the notice is of a meeting other than a special meeting of members, neither the business to be transacted at, nor the purpose of, the meeting need be specified in the waiver of notice.

(c) Attendance of a person, either in person or by proxy, at any meeting shall constitute a waiver of notice of such meeting, except where a person attends a meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called or convened.

(d) If the language of a proposed resolution or a proposed plan requiring approval by members is included in a written notice of a meeting of members, the members' meeting considering the resolution or plan may adopt it with such clarifying or other amendments as do not enlarge its original purpose without further notice to members not present in person or by proxy.

Section 109. Execution of Instruments.—Without regard to any other form of execution provided in the bylaws, an instrument in writing, or any assignment or endorsement thereof, executed or entered into between an association and any person and signed by the president or vice-president and by the secretary or treasurer of the association, shall be held to have been properly executed by and in behalf of the association. Except as otherwise required by statute, the affixation of the corporate seal shall not be necessary to the valid execution, assignment or endorsement by an association of any instrument in writing.

Section 110. Books, Records and Accounts of Associations.—(a) An association may maintain its books of account on a cash, accrual, or modified accrual basis, as ¹ determined by the board of directors.

(b) An association shall enter on its books a complete and accurate account of all its assets, whether the assets are in its name or the names of others, at values which shall not exceed the actual cost of the assets to the association unless prior approval so to do is received from the department.

(c) An association shall enter on its books a complete and accurate account of its liabilities and of its savings accounts and of its members.

(d) An association shall set out in full on its records any pledge or assignments of assets.

(e) An association may not cause to be performed by contract or otherwise, accounting or bookkeeping services for itself, whether on or off its premises, unless assurances satisfactory to the department are furnished to the department by both the association and the person performing such service that the performance thereof will be subject to regulation and examination by the department to the same extent as if such service were being performed by the association itself on its own premises. For the purpose of this subsection (e) "services" shall mean clerical, bookkeeping, accounting and statistical.

(f) Any officer, director or employe of an association who knowingly violates any of the provisions of this section shall be subject to the penalty provisions of this act.

Section ² 111. Retention of Records and Admissibility of Copies in Evidence.—(a) Every association shall preserve in such form and manner that they may be readily produced upon proper demand, all of its records of original or final entries for a period of seven years from the date of making the last entry thereon, except that coupons accompanying deposits in a club account, such as a Christmas club or a vacation club, need not be so retained for more than two years from the date of closing of such account.

¹ "determinend" in original.

² "III" in original.

(b) All records required to be retained under subsection (a) of this section shall be retained in their original form except that, in lieu ¹ of the originals, film, photographic, photostatic or other copies which accurately reproduce all lines and markings on the originals may be retained.

(c) Any copy of a record permitted to be kept in lieu of the original under subsection (b) of this section shall be admissible in evidence in any proceeding with the same effect as though it were the original.

Section 112. Repledging of Collateral.—(a) An association shall not repledge any property held by it in pledge or as collateral.

(b) Any officer, director or employe of an association who knowingly repledges any such property shall be subject to the penalty provisions of this act.

Section 113. Statutory Amendment of Existing Charters.—The charters of all existing building and loan associations and savings and loan associations heretofore granted shall be deemed to be amended to the extent necessary to give effect to the provisions of this act and to conform thereto.

ARTICLE II

Incorporation and Organization

Section 201. Incorporators.—(a) A savings association may be incorporated by fifteen or more adults.

(b) At least two-thirds of the incorporators shall be citizens of the United States or of its territories or possessions and residents of Pennsylvania.

Section 202. Prohibition of Promoters' Fees.—(a) A savings association shall not pay any fee, compensation or commission for the promotion or organization of an association or for any part of the money collected from members, except legal fees and other usual and ordinary expenses necessary for its organization. Any incorporator, officer, director or employe paying or receiving any such fee, compensation or commission shall be subject to the penalty provisions of this act.

(b) A majority of the incorporators shall file with the department at the time of the filing of the articles an affidavit:

- (1) Setting forth all expenses incurred or to be incurred in connection with the organization of the association, and
- (2) Stating that no fee, compensation or commission prohibited by subsection (a) of this section has been paid or incurred.

(c) In the event of a violation of this section, the department may disapprove the articles on account of such violation.

Section 203. Articles of Incorporation.—(a) Articles of incorporation shall be signed and acknowledged by at least five of the incorporators.

¹ "of of" in original.

(b) The articles shall set forth, in the English language:

(1) The name of the association,

(2) The county in which its first principal place of business is to be located,

(3) A precise and accurate statement of the purpose or purposes for which it is organized, as well as a statement that it is organized under the provisions of this act,

(4) The term for which it is to exist, which may be perpetual,

(5) The name, occupation, citizenship, place of residence, and post office address of each incorporator,

(6) The name, occupation, citizenship, place of residence, and post office address, and term of office of each of the first directors.

Section 204. Application for Approval by Department.—The incorporators shall make an application to the department for approval of the proposed association in a manner prescribed by the department and shall deliver to the department when available:

(1) The articles of incorporation,

(2) The affidavit required by section 202,

(3) Evidence of reservation in the Department of State of the name of the proposed association,

(4) Applicable fees payable to the department in connection with the articles and with the conduct of the investigation required by section 206,

(5) As soon as available proof of publication of the advertisement required by section 205.

Section 205. Advertisement.—(a) The incorporators shall advertise their intention to deliver, or the delivery of, articles of incorporation with the department once in each newspaper in which such advertisement is required to be made and published in accordance with section 107.

(b) The advertisement shall appear prior to, or within seven days after the date of delivery of the articles to the department and shall set forth briefly:

(1) The name of the proposed association,

(2) A statement that it is to be incorporated under the provisions of this act,

(3) The purpose or purposes of the association,

(4) The names and addresses of the first directors as they appear or will appear in the articles,

(5) The date of delivery of the articles to the department.

Section 206. Approval of Proposed Association by Department.—(a) Upon receipt of an application for approval of a proposed association the department shall conduct such investigation as it may deem necessary to ascertain whether:

(1) The articles and supporting items satisfy the requirements of this act,

(2) The convenience and needs of the public will be served by the

proposed association,

(3) The population density or other economic characteristics of the area primarily to be served by the association afford reasonable promise of adequate support for the association,

(4) The character and fitness of the incorporators, of the directors and of the proposed officers are such as to command confidence of the community and to warrant the belief that the business of the association will be honestly and efficiently conducted,

(5) There has not been nor will there be any violation of section 202,

(6) The amount of savings, which will be attracted to the association, shall be adequate properly to operate the association with safety to prospective members,

(7) The proposed association will have sufficient personnel with adequate knowledge and experience to administer the business of the association.

(b) Within sixty days after receipt of the articles, the department shall make a determination whether to approve or disapprove the proposed association on the basis of its investigation. In giving approval, the department may impose conditions to be satisfied prior to the issuance of a certificate of authorization under section 209. If the department shall approve the proposed association with or without conditions, it shall deliver the articles with its written approval to the Department of State and notify the incorporators of its action. If the department shall disapprove the association it shall give written notice to the incorporators of its disapproval and a statement in detail of the reasons for its decision. The decision of the department shall be conclusive and shall not be subject to review except by the Supreme Court upon broad certiorari.

Section 207. Issuance of Certificate of Incorporation.—If all the taxes, fees and charges required by law shall have been paid and if the name of the proposed association continues to be reserved or is available on the records of the Department of State the receipt of the articles by the Department of State with the written approval of the department shall constitute filing of the articles with the Department of State as of the date and time of receipt or as of any later date and time specified by the department and the Department of State shall immediately issue to the incorporators a certificate of incorporation as of the date and time of filing with the approved articles attached thereto and shall make and retain a copy of such certificate and articles.

Section 208. Effect of Filing of Articles in Department of State and of Certificate of Incorporation.—(a) As of the filing of the articles in the Department of State the corporate existence of the association shall begin.

(b) The certificate of incorporation shall be conclusive evidence of the fact that the association has been incorporated but proceedings

may be instituted by the Commonwealth to dissolve, wind up and terminate an association which should not have been incorporated under this act or which was incorporated without a substantial compliance with the conditions prescribed by this act as precedent to incorporation.

Section 209. Certificate of Authorization to do Business.—(a) Until receipt of a certificate of authorization issued by the department an association shall not open savings accounts for its members, incur indebtedness or transact any business except such business as is incident to its organization or to the obtaining of subscriptions. Any officer or director violating this prohibition shall be subject to the penalty provisions of this act.

(b) The department shall issue to the association a certificate of authorization to do business when:

(1) Bona fide applications or promises to open accounts in writing, signed by the prospective account holder, have been received in an amount satisfactory to the department.

(2) There shall have been paid in an expense fund in an amount fixed by the department and subject to such conditions as the department may impose,

(3) The bylaws of the association have been filed with the department,

(4) The association has been organized and is ready to begin the business for which it was incorporated,

(5) All conditions imposed by the department in giving its approval of the proposed association under section 206 have been satisfied or provision satisfactory to the department made for meeting them,

(6) The department has received an affidavit signed by at least a majority of the directors of the association to the effect that all the foregoing requirements of this subsection have been satisfied.

Section 210. Organization Meetings.—(a) After the filing of the articles in the Department of State the first meeting of the members shall be held within this Commonwealth at the call of the incorporators, or the majority of them, for the purpose of adopting such bylaws as this act and the articles require to be adopted by the members, and for such other purposes as shall be stated in the notice of the meeting. The incorporators, at the call of the meeting, shall give to each member at least five days' written notice of the time and place of the meeting.

(b) After the filing of the articles in the Department of State, an organization meeting of the board of directors named in the articles shall be held within this Commonwealth at the call of a majority of the directors, for the purpose of adopting such bylaws as the articles authorize the directors to adopt, of electing officers and of transaction of such other business as may come before the meeting. The directors who call the meeting shall give to each director named in the articles at least five days' written notice of the time and place of the meeting.

Section 211. Adoption and Contents of Bylaws.—(a) The members shall have the power to make, alter, amend and repeal the bylaws of an association, but such authority may be expressly vested by the articles or by the bylaws in the board of directors (except as to bylaws fixing the qualification, classification, or terms of office of directors), subject to the power of the members to change such action. Unless the articles or bylaws otherwise provide, the powers hereby conferred shall be exercised by a majority vote of the directors or by the majority vote of members of the association present in person or by proxy at any regular or special meeting. No notice shall be required to members for any regular meeting where such bylaw changes are to be considered.

(b) The bylaws of an association may contain provisions for the regulation and management of the affairs of the association not inconsistent with law or its articles.

(c) An association shall send to the department a copy of its bylaws and of all changes therein immediately after every adoption and change of its bylaws.

ARTICLE III

Names

Section 301. Names permitted to be Used.—(a) The name of an association:

(1) May be in any language but shall be expressed in English letters or characters,

(2) It shall contain the words “savings association,” “savings and loan association” or “building and loan association.”

(3) The name of the association shall not contain the words “trust,” “bank,” “deposit,” “discount” or any other words 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, its articles or otherwise. The name of the association shall not contain the words “Government,” “Official,” “Federal,” “National,” “United States,” or “insured.”

(4) The ¹ name of an association shall not be the same as, or deceptively similar to, that of any other corporation authorized to transact business in this Commonwealth.

(b) An association may without regard to the provisions of subsection (a) of this section use:

(1) Its name legally in use on the effective date of this act, or

(2) A name legally in use on the effective date of this act by another association which is adopted by the resulting association in a plan of merger or consolidation to which the association using the name is a party.

¹ “name” in original.

(c) The Department of State shall not approve as a corporate name or register as a fictitious name, any name which would violate the provisions of this section.

Section 302. Change of Name of an Association.—(a) If an association makes any change in its name the new name shall comply with the provisions of section 301.

(b) An association may change its name by an amendment of its articles.

Section 303. Reservation of Name.—(a) The exclusive right to use a name permitted to be used by an association under this act may be reserved by an individual intending to incorporate an association, by an association intending to change its name, or by a Federal savings and loan association intending to convert into a State association.

(b) Such reservation may be made by filing with the Department of State an application executed by the applicant. If the Department of State finds that the name applied for is available it shall send a copy of the application to the department. If the department determines that the use of the name complies with the requirements of this article and is otherwise consistent with the purposes and provisions of this act it shall give its written consent to the Department of State which shall then reserve the name for the exclusive use of the applicant for a period of six months.

(c) A name which has been reserved for a period of six months pursuant to this section may be reserved for additional successive periods of six months each, if prior to the expiration of each such period of six months the applicant files with the Department of State a statement executed by the applicant to the effect that the proposed association for which the name is intended has taken appropriate action to obtain, but has not received, all approvals of regulatory authorities required for the business in which the name would be used.

(d) The right to the exclusive use of a name reserved pursuant to this section may be transferred to anyone who would be entitled to reserve such name under this section except for such prior reservation, by filing with the Department of State a notice of the transfer which shall be executed by the transferor who reserved the name and which shall set forth the name of the transferee. The Department of State shall send a copy of such notice to the department.

ARTICLE IV

Offices

Section 401. Authorized Offices.—(a) An association may not maintain any office for the conduct of its business other than:

- (1) Its principal place of business,
- (2) Branches authorized prior to the effective date of this act or authorized pursuant to this act.

(b) Any association which prior to January 1, 1954 had author-

ized any corporation or person to collect money on savings, mortgages, and other loans, in any city, borough or township in the Commonwealth other than a place of business of the association permitted by prior acts and, in the case of merger or consolidation, a resulting association, may continue to collect money on savings, mortgages and other loans in any such communities through any such corporations or persons and may appoint successors in their stead in any city, borough or township in the Commonwealth.

Section 402. Change of Location of Office.—(a) An association with the prior written approval of the department may change the location of its principal place of business to a new location in the same county.

(b) An association with the prior written approval of the department and an amendment to its articles may change its principal place of business to a contiguous county.

(c) An association may with the prior written approval of the department change the place of business of a branch to a place located either within the county of its principal place of business or within a county contiguous thereto.

(d) An association may with the prior written approval of the department designate a branch office as its main office and the original main office may thereafter be conducted as a branch office. No branches may be conducted which are not in a county contiguous to the county of the main office.

(e) An association which has changed the place of business of a branch shall discontinue operation of the branch at the previous location immediately upon commencing operation of the branch at the new location.

(f) In the event a place of business becomes unavailable an association with the prior written approval of the department may temporarily or permanently change its place of business to another place within the same county.

Section 403. Authorization of New Branches.—(a) Upon a merger, consolidation or conversion of a Federal savings and loan association into a State association the resulting association may with the prior written approval of the department maintain as branches, in addition to its principal place of business, every office which was maintained prior to the merger or consolidation by the parties thereto or prior to the conversion by the Federal savings and loan association and which is located in the same county as the principal place of business of the resulting association or in a contiguous county.

(b) Except as provided in subsection (a) of this section, an association may establish a branch after the effective date of this act only in the same county in which its principal place of business is located or in a county contiguous thereto and only in compliance with the following requirements:

(1) The proposed branch shall be authorized by resolution by its

board of directors.

(2) If the location of the proposed branch is outside of the city, incorporated town, borough or township in which the principal place of business of the association is located, the association shall give notice of the filing of the application by advertisement in the county in which the proposed branch is to be located.

(3) The branch shall be ¹approved by the department.

Section 404. Approval of Branch by Department.—(a) Upon receipt of an application for approval of a branch which satisfies the requirements of this act and the payment of all fees, and after such further notice as the department may require, the department shall conduct such investigation as it may deem necessary and in its discretion may hold hearings.

(b) The department may in its discretion disapprove an application by an association if the location of the proposed branch would be in a county contiguous to the county in which the principal place of business of the association is located and if an association which has its principal place of business in the county in which the proposed branch would be located has in good faith previously notified the department in writing of its intention to establish a branch in the same city, incorporated town, borough or township in which the proposed branch would be located.

(c) Within sixty days after receipt of the application or such longer periods as may be required by any hearing which the department may hold, the department shall, except as provided in subsection (b) of this section, approve the application if it finds that there is a need for services or facilities such as are contemplated by the establishment of the proposed branch and that the requirements of this act have been complied with, but shall otherwise disapprove the application. If the department approves the application it shall issue to the association a letter of authority to establish a branch. If the department disapproves the application it shall give the association written notice of its disapproval and a statement in detail of the reasons for its decision. The decision of the department shall be final and shall not be subject to review except by the Supreme Court upon broad certiorari.

(d) An association may establish a branch pursuant to approval of the department under this section not later than twelve months after the date of the letter of authority or within such longer period as the department shall allow for good cause. Each such period of extension by the department shall not exceed six months. The association shall deliver to the department a certificate of the establishment of the branch in a form prescribed by the department.

(e) An association may, pursuant to a resolution of its board of directors and with prior written approval of the department, discontinue the operation of a branch upon such prior public notice of at least

¹ "apprvoed" in original.

thirty days as the department shall prescribe. The association shall deliver to the department a certificate of the discontinuance of the branch in a form prescribed by the department.

(f) The department shall maintain a record of the number and location of all branches of associations.

ARTICLE V

Directors, Officers, Employes and Attorneys

Section 501. Board of Directors.—(a) The business and affairs of an association shall be managed by a board of directors.

(b) Subject to the provisions of this act and provisions of the articles, the number, qualifications, terms of office, manner of election, time and place of meetings, powers and duties of the directors may be prescribed by the bylaws.

(c) The board of directors of an association may appoint an individual as director emeritus or member emeritus of an advisory board. An individual so appointed may be compensated but may not vote at any meeting of the board of directors or advisory committee or be counted in determining a quorum. He shall not have any responsibility or be subject to any liability.

Section 502. Number and Qualifications of Directors.—(a) The bylaws shall fix the number of directors at not less than five.

(b) Each director shall be a citizen of the United States and at least two-thirds of the directors shall be residents of Pennsylvania.

Section 503. Term of Office of Directors; Vacancies; Classification of Directors.—(a) Each director shall hold office for the term for which he is elected and until his successor shall have been duly elected and qualified. Directors shall be elected by the members for a term of one year except as otherwise provided in this article or in the articles or the bylaws.

(b) Except as otherwise provided in the articles or bylaws, vacancies in the board of directors may be filled by the remaining members of the board even though less than a quorum. Each person so designated as a director shall serve as such director for the unexpired term to which he is appointed.

(c) Directors may be classified, pursuant to the provisions of the articles or bylaws, according to the time for which they shall severally hold office, except that the directors named in the articles shall serve only until the first annual meeting of members. Each class shall be as nearly equal in number as possible, the term of office of at least one class shall expire in each year and the members of a class shall not be elected for a shorter period than one year or a longer period than four years. If directors of more than one class are to be elected at a meeting of members there shall be a separate election for each class of directors to be elected at the meeting.

Section 504. Method of Action by Board of Directors, Executive or Other Committee.—Except as otherwise provided in this act or in the

articles or bylaws:

(a) The board of directors shall hold a regular meeting at least once in each month. Meetings of the board of directors shall be held upon such notice as the bylaws may prescribe. Unless the bylaws provide otherwise, written notice of any special meeting of the board of directors shall be given to each director. Notice of an adjourned meeting may be given by announcement at the meeting at which the adjournment is taken. Minutes shall be kept of all meetings.

(b) A majority of all the directors in office shall constitute a quorum for the transaction of business and actions of a majority of those present at a meeting at which a quorum is present shall be actions of the board.

(c) The board of directors may by resolution adopted by a majority of the whole board delegate three or more of its number to constitute an executive committee or other committee which to the extent provided in such resolution, shall have and exercise the authority of the board of directors in the management of the business of the association. Minutes shall be kept of all meetings.

(d) Any action which may be taken at a meeting of the directors or at an executive or other committee meeting may be taken without a meeting if a consent or consents in writing setting forth the action shall be signed by all the directors or all of the members of the executive or other committee and filed with the secretary of the association.

Section 505. Communications from Department of Banking.—Every official communication directed by the department to an association, or to any officer thereof, shall be transmitted by the officer receiving it to the board of ¹directors at the next meeting of such board, and shall be duly noted in the minutes of such meeting.

Section 506. Removal of Directors.—(a) The board may remove a director from office if:

(1) He is adjudicated an incompetent by a court or is convicted of a felony,

(2) He does not within sixty days of his election, or such other time as the bylaws may specify, accept the office in writing or by attendance at a meeting and fulfill other requirements for holding the office,

(3) He fails to attend regular meetings of the board for six successive months or such shorter period as is established by the bylaws without having been excused by the board.

(b) The court of common pleas of the county where the principal place of business of the association is located may in a suit in which the association is a party filed by a majority of the board of directors or by the members holding at least ten percent of the voting rights of the association remove from office a director for fraudulent or dishonest acts or gross abuse of authority or discretion in the affairs of the association and may bar any director so removed from re-election for a period prescribed by the court.

¹ "directors" in original.

Section 507. Officers.—(a) An association shall have a president, a secretary and a treasurer and such other officers, including a conveyancer, as it may authorize. The bylaws may provide that the same individual may hold two offices except that the president shall not hold any other office. The president shall be a member of the board of directors.

(b) Except as otherwise provided in the bylaws, the board of directors shall elect the officers, fix their compensation and fill vacancies however occurring. An officer elected or appointed by the board may be removed by the vote of the majority of the board at any time.

(c) The officers shall, as between themselves and the association, have such authority and perform such duties as may be provided in the bylaws or in the absence of a provision in the bylaws as may be provided by the board.

Section 508. Bonds.—Each officer and employe and any director who is authorized to handle money or negotiable assets on behalf of the association shall be bonded and the association may pay the cost of such bond. The form, amount and surety of such bonds shall be such as is approved by the board of directors, but the department may require an additional amount or new or additional surety.

Section 509. Responsibility of Directors and Officers.—Directors and officers of an association shall discharge the duties of their respective positions in good faith and with that diligence, care and skill which ordinarily prudent men would exercise under similar circumstances in like positions.

Section 510. Prohibitions Applicable to Directors, Officers, Employes and Attorneys.—(a) No director, officer, employe or attorney of an association shall:

(1) Receive anything of value for procuring or attempting to procure any loan from or investment by an association,

(2) Purchase, lease, or directly or indirectly be interested in purchasing or leasing from the association for less than its fair market value any security or other property,

(3) Contract with an association upon terms less favorable to the association than those offered by any other corporation or person,

(4) Engage in any transaction under subsections (2) and (3) hereof unless the transaction is authorized by the vote of at least two-thirds of all the members of the board of directors who are not interested in such transaction except in their capacity as directors,

(5) Receive a mortgage loan from the association unless the real property securing the loan shall be occupied by such director, officer, attorney or employe at his home.

(b) A violation of any of the subsections (a) (1), (a) (2) or (a) (3), of this section shall be subject to the penalty provisions of this act.

Section 511. Audits and Reports.—(a) Except as provided in subsection (c) of this section the board of directors of an association shall cause an annual audit to be made of the books, papers, securities and

affairs of an association and the loans thereof and such other matters as the department may require and such audit shall be made by an independent public accountant satisfactory to the department. The department may by regulation establish minimum standards for audits and reports under this subsection (a).

(b) A detailed written report of such audit certified to by the accountant making such audit shall be promptly sent to the department. A signed copy thereof shall be placed on file with the association and noted in its minutes.

(c) In the case of an association which has a system of internal audit control approved by the department no audit under subsection (a) of this section shall be required and in lieu of a report required by subsection (b) the internal auditor of the association shall submit to the board an annual summary of the same matters as those required under subsection (a) of this section. Such report shall set forth the degree of compliance with the approved audit system and shall express the opinion of the internal auditor as to the adequacy of the internal controls. The report shall be kept in the files of the association and a copy shall be filed with the department.

Section 512. Recording Designations of Authority Respecting Mortgages.—An association shall, by a written instrument filed of record in the office of a recorder of deeds, designate the name or office of the individual or each individual who is authorized in the name of the association to make any entry of record affecting any mortgage which appears on the records of such office. Such recorder of deeds shall not permit any individual other than one named or holding an office included in such designation to act for the association and any entry of record made in violation of this provision shall be of no effect.

Section 513. Indemnification of Officers, Directors, Attorneys and Employes.—Any person shall be indemnified or reimbursed by the association for reasonable expenses, including but not limited to attorney fees, actually incurred by him in connection with any action, suit or proceeding, instituted or threatened, judicial or administrative, civil or criminal, to which he is made a party by reason of his being or having been a director, officer, attorney or employe of an association: Provided, however, That no person shall be so indemnified or reimbursed, ¹ nor shall he retain any advancement or allowance for indemnification which may have been made by the association in advance of final disposition, in relation to such action, suit or proceeding in which and to the extent that he finally shall be adjudicated to have been guilty of a breach of good faith, to have been negligent in the performance of his duties or to have committed an action or failed to perform a duty for which there is a common law or a statutory liability.

¹ "not" in original.

ARTICLE VI

Members

Section 601. Meetings of Members.—(a) Meetings of the members of an association shall be held at such place within the Commonwealth as shall be fixed by the bylaws or by the board of directors pursuant to the bylaws, or if none is so fixed, at the principal place of business of the association.

(b) There shall be at least one annual meeting of members in each calendar year for the election of directors and any other business which members may present to that meeting. The time of such annual meeting shall be fixed by the bylaws or by the board of directors pursuant to the bylaws. If the annual meeting shall not be called and held within one month after the time designated in the bylaws or if the board of directors pursuant to the bylaws fails for a period of one month after the date they are required to fix the meeting, to so designate a time any member shall have the power to call upon the department to issue an order in the manner provided by law to compel the calling and holding of such meeting.

(c) Special meetings of the members may be called at any time by the president, by the board of directors, by the members entitled to cast at least one-fifth of the votes which all members are entitled to cast at the particular meeting or by such other officers or persons as the bylaws may provide. Upon the written request of a person or persons who are entitled to call a special meeting, the secretary shall fix a date of such meeting to be held not more than sixty days after receipt of the request and shall give due notice thereof. In the event of the secretary's failure within thirty days after the receipt of the request to fix the date or give the notice, the person or persons making the request shall have the power to call upon the department to issue an order to compel the calling and holding of such meeting.

(d) Any meeting may be adjourned for any period except that a meeting at which directors are to be elected may be adjourned only from day to day until such directors have been elected.

Section 602. Notice of Meetings of Members.—(a) If the time and place of a regular meeting of the members are stated in the bylaws, it shall be sufficient, in addition to any other notice, if any, required by the bylaws, to post a notice at the place of business of the association during the month immediately preceding the date of such meeting. Written notice of each special meeting of members and of each regular meeting, the time and place of which are not stated in the bylaws, shall be given to each member of record entitled to vote at the meeting at least five days prior to the date thereof, unless a longer period of notice is required by the articles, bylaws, or other provisions of this act. The notice required by this section shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the general nature of the business to be transacted. Notice of an adjourned meeting and of the business to be transacted at such meeting may be

given by announcement at the meeting at which the adjournment is taken unless otherwise provided in the articles or bylaws.¹

(b) The time and place of the annual meeting of members shall be stated in a prominent place on the cover or inside cover of each passbook or other evidence of membership.

Section 603. Quorum and Action by Members.—(a) A meeting of the members duly called shall not be organized for the transaction of business unless a quorum is present.

(b) Unless otherwise provided in the articles or in a bylaw:

(1) The presence, in person or by proxy, of the members entitled to cast at least a majority of the votes which all members are entitled to cast on a particular matter shall constitute a quorum for the purpose of considering such matter, except as provided in subsection (c) of this section,

(2) At a duly organized meeting, the acts of the members present who are entitled to cast at least a majority of the votes which all members present and entitled to cast shall be the acts of the members, except as otherwise provided in this act,

(3) The members present at a duly organized meeting may continue to do business until adjournment,² notwithstanding the withdrawal of enough members to leave less than a quorum,

(4) If a meeting cannot be organized for lack of a quorum, those present may, except as otherwise provided in this act, adjourn the meeting to such time and place as they may determine.

(c) In the case of a meeting for the election of directors which is twice adjourned for lack of a quorum, those present at the second of such adjourned meetings shall constitute a quorum for the election of directors without regard to the other quorum requirements of this section, the articles or the bylaws.

Section 604. Voting Rights of Members.—(a) Except as otherwise provided in this act at every meeting of the members of an association the members shall have the right to vote as follows:

(1) Each borrowing member shall have one vote,

(2) Each savings member shall have³ one vote. For each one hundred dollars (\$100) in excess of the first one hundred dollars (\$100) in a savings account such saver shall be entitled to one additional vote,

(3) A member who qualifies in more than one of the above classes shall be entitled to cast the total number of votes for which he qualifies. A member may vote in person or by proxy and shall not sell his vote nor execute a proxy for any sum of money or anything of value.

(b) A proxy:

(1) Shall be in writing and filed with the secretary of the association not less than five days prior to the meeting at which the proxy is to be exercised.

¹ "place of a regular meeting of the members are stated in the bylaws, it shall" in original.

² "notwithstanding" in original.

³ "on" in original.

(2) Shall, unless coupled with an interest, be revocable at will notwithstanding any agreement to the contrary, but the revocation of a proxy shall not be effective until written notice thereof has been given to the association,

(3) Shall not be revoked by the death or incompetency of the maker unless, before the vote is counted or the authority exercised written notice of such death or of an adjudication of such incompetence is received by the secretary.

Section 605. Voting by Fiduciaries and Pledgors.—(a) Savings accounts standing in the name of a fiduciary may be voted either in person or by proxy of the fiduciary.

(b) A member whose savings account is pledged shall be entitled to vote, in person or by proxy, until it has been transferred on the books of the association and thereafter the transferee shall be entitled to vote in person or by proxy.

Section 606. Voting by Joint Holders of Savings Accounts and by Joint Mortgagors.—(a) Voting rights which are held jointly or as tenants in common by two or more persons, as fiduciaries or otherwise, shall be deemed to be represented for the purpose of determining a quorum if one or more such persons are present in person or by proxy. Except as provided in subsection (b) of this section, the vote shall be the vote cast by such persons or a majority of such persons but if such persons are equally divided upon the manner of voting, the voting rights held by them shall be divided equally among such persons, without prejudice to the rights of such joint owners or the beneficial owners thereof among themselves.

(b) Upon the filing with the secretary of the association of a copy, certified by an attorney at law to be correct, of the relevant portions of the agreement under which such savings accounts are held or of the instrument or decree of court by which the fiduciaries were appointed, or by decree of court directing the voting of such savings accounts, the persons specified as having such voting power in the latest such document shall be entitled to vote such savings accounts in accordance therewith.

Section 607. Voting Rights Held by Corporations.—An association or other corporation which holds voting rights of an association may vote the same by:

(1) Its president or a vice-president,

(2) A proxy appointed by its president or vice-president, or

(3) A person appointed its general or special proxy by resolution of its board of directors or under a provision of its articles or bylaws a copy of which, certified to be correct by one of its officers, shall have been filed before the vote is taken with the secretary of the association in which the voting rights are held.

¹ "not withstanding" in original.

Section 608. Determination of Members of Record.—(a) The board of directors of an association may, except as otherwise provided in its bylaws, fix a date for the determination of the members entitled to receive notice of and to vote at any meeting or to receive any distribution or allotment of rights or a date for any change, conversion or exchange of savings accounts by:

(1) Fixing a record date not more than forty days prior thereto, or

(2) Closing the books of the association against transfers for all or part of such period by giving notice to each member of record at least ten days before the closing of the books.

(b) If no date for determination of members of record is fixed by the bylaws or pursuant to subsection (a) of this section, transferees of voting rights which are transferred on the books of the association within ten days of the date of a meeting of members shall not be entitled to receive notice of, or to vote at, the meeting.

(c) Holders of savings accounts which have been voluntarily or involuntarily withdrawn, or holders of savings accounts who have not assented to or have dissented from a merger or a consolidation, shall be entitled to notice of, and to vote at, any meeting of members, until they shall have been paid in full the amount lawfully due them on account of their savings accounts. The exercise of such right to vote at such a meeting shall not constitute waiver of, nor in any way affect, any rights granted by law to such members by virtue of their savings accounts having become fully paid, or of their withdrawal from the association, either voluntarily or involuntarily, or of their failure to assent to, or their dissent from, a plan of merger or consolidation.

Section 609. Judges of Election.—(a) One judge or three judges of election may be appointed:

(1) In advance of each meeting of members by the board of directors, or

(2) If the board of directors has not done so, at the meeting by the chairman of the meeting except that in such case, the holders of a majority of the voting rights present shall determine whether one or three judges are to be appointed. A judge of election need not be a member and a candidate for office shall not act as a judge.

(b) The judge or judges of election shall perform his or their duties impartially, expeditiously and in good faith and shall:

(1) Determine the number of voting rights entitled to be voted, the number represented at the meeting, the voting power of each and the existence of a quorum,

(2) Determine the authenticity, validity and effect of proxies,

(3) Receive votes or ballots, hear and determine all challenges and questions in any way arising in connection with the right to vote, count and tabulate the votes, and determine the result,

(4) Do whatever is appropriate to conduct the election or vote with fairness to all members,

(5) Act by majority vote, if there are three, and

(6) Upon request of the chairman or any person at the meeting, make a written report of any matter determined by him or them and execute a certificate of any fact found by him or them.

Section 610. Informal Action by Members.—Any action which may be taken at a meeting of members may, unless otherwise provided in the articles or bylaws, be taken without a meeting, if a consent or consents in writing, setting forth the action so taken, shall be signed by all the members who would be entitled to vote on such action at a meeting and shall be filed with the secretary of the association.

Section 611. Immunity of Savings Account Members.—A savings account member of an association shall not, merely by reason of his ownership of savings or voting rights, be personally liable for any debt or liability of the association.

Section 612. Disclosure of Information Concerning Accounts.—(a) 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 the association except to:

(1) Authorized employes of the Department of Banking,

(2) Authorized employes of the Department of Revenue of the Commonwealth of Pennsylvania,

(3) Authorized representatives of the Federal Home Loan Bank Board,

(4) Members of the Savings Association Board during hearing before the board who shall have the right to inspect the records of the association.

(b) An association shall upon request furnish to any member information regarding his own account. The department shall by a regulation or ruling in any specific case, establish procedures for communication by one member of an association with other members 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 members in the association. Any such communications shall be subject to the terms and conditions including payment of costs prescribed by the department.

ARTICLE VII

Corporate Powers

Section 701. Powers of Associations.—(a) Every association incorporated pursuant to or operating under the provisions of this code shall have all of the powers enumerated, authorized, and permitted by this code and such other rights, privileges and powers as may be incidental to or reasonably necessary or appropriate for the accom-

plishment of the objects and purposes of the association. Among others, and except as otherwise limited by the provisions of this code, every association shall have the following powers:

(1) To have perpetual existence: to adopt and use a corporate seal, which may be affixed by imprint, facsimile, or otherwise; and to adopt and amend bylaws.

(2) To sue and be sued, complain and defend in courts of law or equity in its corporate name.

(3) To acquire, hold, sell, dispose of and convey real and personal property consistent with its objects and powers on such terms as to the association seem most advantageous; to mortgage, pledge, or lease any real or personal property; and to take property by gifts, devise, or bequest.

(4) To elect or appoint and remove officers, agents and employes of the association and define their duties and fix their compensation, and enter into employment contracts with them for such period or periods, not exceeding five years, as the board of directors shall determine.

(5) An association may borrow from the Federal Home Loan Bank such sums as are permitted by the rules and regulations of the Federal Home Loan Bank and such borrowings shall be in accordance with such rules and regulations as may be prescribed by the Federal Home Loan Bank. An association may borrow from sources individual or corporate, an aggregate amount not in excess of fifty percent of its savings liability. Loans and advances from financial institutions may be secured by property of the association.

(6) To qualify as and become a member of a Federal Home Loan Bank.

(7) To become a member of, deal with, or make reasonable payments or contribution to any organization to the extent that such organization assists in furthering or facilitating the association's purposes, powers or community responsibilities, and to comply with any reasonable conditions of eligibility.

(8) To maintain and let safes, boxes or other receptacles for the safekeeping of personal property upon such terms and conditions as may be agreed upon.

(9) To sell money orders, travelers checks and similar instruments as agent for any organization empowered to sell such instruments through agents within this Commonwealth and to receive money for transmission through a Federal Home Loan Bank.

(10) To act as fiscal agent of the United States, and, when so designated by the Secretary of the Treasury, to perform, under such regulations as he may prescribe, all such reasonable duties as fiscal agent of the United States as he may require; and to act as agent for any instrumentality of the United States and as agent of this Commonwealth or any instrumentality thereof.

(11) To service loans and investments for others, provided that the loans or investments were sold by the association.

(12) To act as trustee of funds or contributions received under a trust plan or instrument prepared in accordance with the requirements of the Self Employed Individuals Tax Retirement Act of 1962, its amendments and supplements, and the regulations promulgated thereunder, and as such trustee to invest such funds or contributions only in savings accounts of the association which are fully insured by the Federal Savings and Loan Insurance Corporation pursuant to the provisions of the National Housing Act, its amendments and supplements.

(13) To act as agent for others in any transaction incidental to the operation of its business.

(14) To sell without recourse and to purchase mortgages or other loans authorized by this act, including participating interests therein.

(15) If the bylaws of an association so provide it may pledge or assign its assets as collateral for loans from financial institutions. Such pledge may be with recourse.

(16) To become an insured savings association under the insurance provisions of national housing legislation either by the Federal Savings and Loan Insurance Corporation or by any other Federal agency authorized by law to insure accounts of savings associations and to take all actions incident to maintenance of an insured status thereunder.

(17) To make application for and to obtain insurance of loans pursuant to national housing legislation.

(18) To make contributions and donations for the public welfare or religious, scientific or educational purposes.

(19) To use abbreviations, words or symbols in connection with any document of any nature and on checks, proxies, notices and other instruments which abbreviations, words, or symbols shall have the same force and legal effect as though the respective words and phrases for which they stand were set forth in full for the purposes of all statutes of the Commonwealth and all other purposes.

(20) To enter into a contract with any corporation authorized to transact the business of insurance in this Commonwealth, or to participate in, or become a member of a trust, fund, plan or agreement to provide retirement benefits, death benefits, or disability benefits, and to make such contributions out of the earnings of the association, as may be required to provide these benefits: Provided, however, That the terms and conditions of any such contract, trust, fund, plan or agreement shall have first been approved in writing by the department.

(21) To acquire savings and pay earnings thereon, and to lend and invest its funds as provided in this code.

(22) Associations shall have all powers granted to Federal savings and loan associations except as limited or prohibited by this act. The department may by regulation supervise the exercise of any additional powers which associations may acquire by virtue of this subsection.

(b) The powers granted in this section shall not be construed as

limiting or enlarging any grant of authority made elsewhere by this act, or as a limitation on the purposes for which an association may be incorporated. It shall not be permissible or necessary to set forth any of such powers in the articles of the association. Except as otherwise provided in this act, or in the articles, or in the bylaws, such powers shall be exercised by the board of directors of the association.

ARTICLE VIII

Savings Operations, Earnings and Reserves

Section 801. No Limitation on Savings Accounts.—An association may receive money for savings accounts without limitation as to number and amount of such accounts unless the board of directors shall fix limits therefor.

Section 802. Ownership.—Investments in savings accounts may be made only with cash and may be made by any person or persons in his or their own right or in a trust or other fiduciary capacity and by any partnership, association, corporation, political subdivision, public or governmental unit or entity.

Section 803. Savings Contracts.—Each holder of a savings account opened or created after the effective date of this act shall execute a savings contract setting forth any special terms and provisions applicable to such account and the conditions upon which withdrawals may be made not inconsistent with the provisions of this act. Such savings contract shall be held by the association as part of its records pertaining to such account.

Section 804. Types of Savings Contracts.—(a) An association shall not receive money on deposit but may make any type of savings account contract not prohibited by this act or other applicable law. No type of account may be created by any association which imposes fines as penalties for late payment or nonpayment for a period of longer than six months or which creates a debtor-creditor relationship. The resolution of the board creating the account may provide for transfer of the account at the termination of this period to another type of account.

(b) Any share certificates which may be outstanding upon the effective date of this act which were valid under prior law shall continue to be valid, with the same rights and privileges and subject to the same duties and liabilities as though such certificates were savings accounts opened in accordance with the terms of this act in the amount of the withdrawal value of such certificates.

Section 805. Evidence of Ownership of an Account.—The association shall issue to the holder of a savings account either an account book, a certificate or other evidence of ownership.

Section 806. Transfer of Savings Accounts.—Savings accounts shall be transferable only on the books of the association upon presentation of evidence of transfer satisfactory to the association accompanied by proper application for transfer by the transferee

who shall accept such account subject to the terms and conditions of the savings contract, the bylaws of the association and the provisions of its articles of incorporation. The association may treat the holder of record of a savings account as the owner thereof for all purposes without being affected by any notice to the contrary unless the association has acknowledged in writing the interest of persons other than the holder of record.

Section 807. Savings Accounts of Minors.—An association may open savings accounts in the name of a minor as the sole and absolute owner of such savings account and receive payments thereon by or for such owner and pay withdrawals, accept pledges to the association and act in any other manner with respect to such accounts on the order of the minor. Any payment to a minor or a receipt or acquittance signed by the minor or any other action required by the association to be taken by the minor shall be binding upon such minor with like effect as if such minor were of full age and legal capacity and shall be a valid release to the association. The parent or guardian of such minor shall not, in his capacity as parent or guardian, have the power to attach, or in any manner transfer, any savings account owned and standing in the name of such minor.

Section 808. Savings Accounts in Two or More Names.—(a) When a savings account is opened in any association in the names of two or more persons whether minor or adult and the savings contract provides that the moneys in such account may be paid to or on the order of any one of such persons, then the association may pay the moneys in such account to or on the order of any one of such persons either before or after the death of the other person or persons named on such account and such association shall have no further liability for the amount so paid.

(b) If the savings contract provides that the signatures of more than one of such persons during their lifetimes or of more than one of the survivors after the death of any one of them are required on any receipt or withdrawal order then the association shall pay the moneys in the account only in accordance with such instructions; provided

(c) Any one of the parties to a joint account may give written notice to the association not to permit withdrawals in accordance with the terms of the savings contract, in which event the association may refuse, without liability, to honor any receipt or withdrawal request on the account pending determination of the rights of the parties thereto.

Section 809. Pledge to Association of Joint Savings Accounts.—The pledge or hypothecation to any association of all or part of a savings account issued in the names of two or more persons signed by any person or persons upon whose signature or signatures withdrawal may be made from the account shall, unless the terms of the savings

account ¹ provide specifically to the contrary, be a valid pledge and transfer to the association of that part of the account pledged or hypothecated and shall not operate to sever or terminate the joint and survivorship ownership of all or any part of the account.

Section 810. Savings Accounts of Fiduciaries.—If the fiduciary is permitted by law to make such investments an association may accept savings accounts in the name of any administrator, executor, custodian, guardian, trustee or other fiduciary for a named beneficiary or beneficiaries and any such fiduciary shall have the power to vote as a member as if the membership were held absolutely, to open and make additions to, and to withdraw from any such account in whole or in part. Except when otherwise provided by law, the payment to any such fiduciary or a receipt or acquittance signed by such fiduciary to whom any payment is made shall be a valid and sufficient release and discharge of an association for the payment so made.

Section 811. Trust Accounts Where Trust Instrument is Not Disclosed.—Whenever an account shall be opened by any person, describing himself in opening such account as a trustee for another person or persons and no other or further notice of the existence and terms of a legal and valid trust than such description shall have been given in writing to such association, withdrawals from such account may be made on the signature of the person so described as trustee, and in the event of the death of such person, the withdrawal value of such account, or any part thereof, together with earnings thereon, may be paid to the person or persons for whom the account was thus stated to be opened. The receipt or acquittance of any such beneficiary or beneficiaries for the 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 812. Powers of Attorney on Savings Accounts.—Any association may continue to recognize the authority of an attorney-in-fact authorized in writing to manage or to make withdrawals either in whole or in part from the savings account of a member until it receives written notice or is on actual notice of revocation of his authority. For the purposes of this section, written notice of the death or adjudication of incompetency of such member shall constitute written notice of revocation of the authority of his attorney-in-fact.

Section 813. Withdrawals from Savings Accounts.—(a) Any savings account member may at any time present a written application for withdrawal of all or any part of his savings account except to the extent the same may be pledged to the association. The association may pay in full each and every withdrawal request as presented and without requiring that written application therefor be made or the association may elect to number, date and file in the order of actual receipt every withdrawal application and to pay such requests

¹ "provides" in original.

out of its net receipts. No withdrawal application shall be required for Christmas club or other special accounts received by an association for a limited period not exceeding fifteen months and set up for payment at the time of opening the account. An application for withdrawal may be cancelled in whole or in part at any time by a member.

(b) So long as there are unpaid withdrawals not less than one-half of the net receipts of an association in any month shall be applied to the payment of withdrawal applications. By the term "net receipts" is meant the cash receipts of the association as loan repayments, interest and investments in savings accounts, less disbursements for all expenses necessary and incidental for the association in carrying on its business.

(c) Whenever the net receipts so made applicable to withdrawal applications on file for a particular month are not sufficient to pay such applications in full the applications on file shall be paid out of such net receipts on a pro rata basis. The directors may, however, fix a maximum amount not exceeding two hundred fifty dollars (\$250) to be paid upon any one application during any one month without the requirement of proration. No association can obligate itself to pay withdrawals on any plan other than that set forth above.

(d) The department may invoke a uniform limitation on the amounts withdrawable from savings accounts of associations during any period when such limitation is necessary in the public interest.

(e) Effect of withdrawal applications:

(1) When an association has applications for withdrawal which have not been paid for a period in excess of thirty days said association shall make no further loans on the security of savings accounts until all requests for withdrawals are being paid within thirty days of the receipt of notice of withdrawal.

(2) A savings member filing a withdrawal application shall not become a creditor of the association by reason of such filing. The membership of a savings account holder who has filed an application for withdrawal shall remain unimpaired so long as any withdrawal value remains to his credit on the books of the association.

Section 814. Redemption of Savings Accounts.—At any time funds are on hand for the purpose, an association shall have the right to redeem by lot or otherwise, as the board of directors may determine, all or any part of any of its savings accounts on an earnings date by giving thirty days' notice by registered or certified mail, addressed to each affected account holder at his last address as recorded on the books of the association. No association shall redeem any of its savings accounts when the association is subject to receivership action under the provisions of this act or when it has applications for withdrawal which have been on file more than thirty days and have not been reached for payment. The redemption price of savings accounts redeemed shall be the withdrawal value thereof. If the notice of redemption shall have been duly given and if on or before the redemp-

tion date the funds necessary for such redemption shall have been set aside so as to be and continue to be available therefor, earnings upon the accounts called for redemption shall cease to accrue from and after the earnings date specified as the redemption date and all rights with respect to such accounts shall forthwith, after such redemption date, terminate, except only the right of the account holder of record to receive the redemption price.

Section 815. Lien on Savings Accounts.—Every association shall have a lien, without further agreement or pledge, upon all savings accounts owned by any member to whom or on whose behalf the association has made an advance of money by loan or otherwise and upon the default in the repayment or satisfaction thereof the association may, without notice to or consent of the member, cancel on its books all or any part of the savings accounts owned by such member and apply the value of such accounts in payment on account of such obligation. An association may by written instrument waive its lien in whole or in part of any savings accounts. Any association may take the pledge of savings accounts of the association owned by a member other than the borrower as additional security for any loan secured by an account, or by an account and real estate, or as additional security for any real estate loan. Notwithstanding any other provision of this section, no association shall have a lien upon a savings account as a result of a default on any real estate loan, unless the said account is specifically pledged as security for the said real estate loan.

Section 816. Method of Paying Earnings on Savings Accounts.—The board of directors shall determine the earnings to be credited not less frequently than annually to savings accounts on the books of the association unless a savings account holder shall have requested and the association shall have agreed to pay earnings on such savings account in cash. Earnings payable in cash may be paid by check or bank draft. All accounts of the same type and class shall be paid the same rate of earnings.

Section 817. Accounts Subject to Attachment.—Savings accounts of associations and Federal savings and loan associations shall be subject exclusively to attachment or any similar process and shall not be subject to levy and sale on execution or proceedings supplementary thereto.

Section 818. Earnings Not Distributed.—An association may provide by resolution of its board of directors that it shall not distribute earnings on any savings account of less than a minimum amount fixed by such resolution, which amount shall be not more than fifty dollars (\$50), or on any Christmas club, vacation club or other similar account in which the account is listed for withdrawal no later than fifteen months after the date of opening; and may, by resolution of its board of directors, fix a lesser amount than such minimum with respect to the distribution of earnings on savings accounts established in connection with a program offered by such association to children

for the encouragement of thrift.

Section 819. Service Charge.—An association may make a service charge of not more than one dollar (\$1) in any calendar year against any savings account if at the time any such charge is made:

(a) The association is not required to distribute earnings to such account,

(b) No payment has been made and no earnings have been distributed on such account for a period of at least thirty-six months next preceding the date on which such charge is made, and

(c) Thirty days prior to making the first service charge the association has mailed to the holder of such account at his last known address a notice that service charges will be made in accordance with this section.

Section 820. Inactive Accounts.—Savings on which no payments have been made and on which earnings are unclaimed for a period of six years or longer may be listed for withdrawal by action of the association's board of directors without regard to any other provisions or limitations of the statute. Notice of such action shall forthwith be mailed to the holder of such savings at his last known address. Any such withdrawals that remain unclaimed after thirty days from the mailing of such notice may be placed in a special account held solely for the purpose of paying any future claims of the rightful owners thereof. Earnings shall accrue on such withdrawals after the placing of the funds in the special account.

Section 821. No Duty on an Association to Determine Ownership of Funds Placed in Savings Accounts.—An association shall be under no duty to determine the ownership of funds received by it for savings accounts, but shall be entitled to rely on the savings account contract with the named owners. An association shall not be liable to any person claiming to be the owner, part owner, joint owner or beneficiary in any savings account unless such person is named as owner or beneficiary therein or the association is supplied with a decree or order of court determining ownership.

Section 822. Reserves.—(a) Every association shall maintain general reserves which shall be used solely for the purpose of absorbing losses. Such reserves shall consist of all or any of the following:

(1) A reserve for contingent losses,

(2) A reserve for bad debts,

(3) In the case of an association whose accounts are insured by the Federal Savings and Loan Insurance Corporation, a Federal insurance reserve.

(b) Whenever the general reserves of an association are not equal to at least eight percent of the savings accounts and whenever the net worth of an association is not equal to at least ten percent of such savings accounts it shall credit to its general reserves each year an amount equal to not less than five percent, and as much more as it may deem desirable, of its net profits for the year.

(c) Any net income remaining after reserve requirements are met and earnings distributions have been made may be retained in a surplus account.

ARTICLE IX

Investment Operations

Section 901. Loans on Security of Real Estate.—An association may make a loan or participate in making loans or buy or sell participations in loans secured by a mortgage which is a first lien on real estate, or if the association holds all prior liens on the real estate, located in the regular lending area of the association, owned by the borrower in fee or in which he has a leasehold interest. An association shall not at any time retain a mortgage loan which is not secured by a mortgage which is a first lien on the real estate unless the association owns all prior liens. The total of all liens held by an association against real estate shall not exceed the maximum percentages of fair market value set forth in the subsections of this article. The loan shall be evidenced by a bond, note or other evidence of indebtedness and shall be made upon the security, terms and conditions and in the amount set forth in this article for such loan. Mortgage loans and participations shall be primarily on one to four family residential properties.

Section 902. Eighty Percent Loans on Properties Designed Primarily for Residential Use by Not More Than Four Families.—An association may make a mortgage loan on the security of real estate on which there is erected a building, a substantial portion of which is used as a one to four family residential structure or upon the security of real estate upon which such a building is to be erected and the loan is made for financing the construction of such building. A loan made under this section shall not exceed eighty percent of the fair market value of the property.

Section 903. Over Eighty Percent Loans on One Family Residential Properties.—An association may make a mortgage loan which exceeds eighty percent, but does not exceed ninety percent, of the fair market value of a one family residential property if the following conditions are met:

(a) At the time of the granting of the loan the association's net worth is equal to at least three percent of the association's assets.

(b) The real estate shall be improved with a structure designed for residential use for one family or the loan is made to finance the construction of a structure designed for residential use for one family. Where the loan is made to finance construction, there shall not be disbursed on said loan in excess of eighty percent of the fair market value of the real estate unless construction has been fully completed and title is in the name of the owner who is occupying or will occupy the home as his residence or unless the owner is the buyer who has executed an agreement with the association assuming and agreeing to pay the mortgage.

(c) The principal of the obligation of the loan shall not exceed thirty thousand dollars (\$30,000) unless the department by regulation approves the granting of loans under this subsection in amounts greater than thirty thousand dollars (\$30,000) which regulation, however, shall not authorize loans in excess of ninety percent of the fair market value of the property.

(d) The principal amount of all loans made under this section shall not exceed twenty percent of the association's assets. In calculating the said twenty percent there shall be deducted all loans on which the unpaid balance is less than eighty percent of the fair market value at the date of the making of the loan. Said twenty percent shall be in addition to any percentage of loans permitted to be invested in any other type of mortgage. The limitations of this subsection shall not apply to any loan during the time that at least the top twenty percent of said loan is insured with a reputable private mortgage guarantee company licensed to do business in the Commonwealth of Pennsylvania and approved by the department. The said limitation shall not apply when the mortgage qualifies in all respects as an eighty percent or less loan.

Section 904. **Seventy-five Percent Loans on Properties Designed Primarily for Residential Use by Five or More Families.**—An association may make a mortgage loan not exceeding seventy-five percent of the fair market value of a property designed primarily for residential use by five or more families or upon the security of real estate on which such a building is to be erected or upon the security of real estate on which a building consisting of dwelling units used to house persons affiliated with a college, university, hospital or other institution is erected or to be erected.

Section 905. **Loans on Other Income Producing Properties.**—An association may make a mortgage loan not exceeding seventy percent of the fair market value of an income producing property not designed primarily for residential use.

Section 906. **Insured or Guaranteed Loans.**—The maximum limitations on loans set forth in sections 902 through 905 inclusive, as to percentage of fair market value of properties on which loans are made, shall not apply to loans 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.

Section 907. **Limitation on Aggregate of Loans Made on Five or More Family Residential Properties, Development Loans, and Other Income Producing Properties.**—The aggregate of all loans made by an association on residential properties for five or more families, development loans, and other income producing properties and of participation loans secured by such properties shall not exceed forty percent of the assets of the association.

Section 908. **Development Loans.**—(a) An association may lend on the security of developed building lots or sites, or for the acquisition

and development of land into building lots or sites not in excess of seventy percent of the fair market value of the real estate security as of the date of the advancement of the funds and such loans may be combined with construction loans and permanent loans, subject to the following conditions:

(1) The net worth of the association is five percent or more of its savings accounts.

(2) If the building lots or sites are completely developed at the time the loan is made the security documents shall require the borrower within a period of not more than six months to commence construction of one to four family residential structures on a specified number of such building lots or sites and within a period of three years to complete construction of said structures on all of the building lots or sites.

(3) If the building lots or sites are to be developed out of the proceeds of the loan the security documents shall require development of the real estate security to be commenced in not more than nine months.

(b) An association may lend not over seventy percent of the fair market value of real estate security for the acquisition and development or the development of land for such purposes as the department may by regulation authorize.

(c) The total of all disbursed unrepaid loans under this section shall not at any time exceed ten percent of the assets of the association.

Section 909. Loans for Housing for the Aging.—An association may grant mortgage loans in an amount not exceeding at any time five percent of its assets in loans or participating interests 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 loans shall exceed ninety percent of the fair market value of the improved real estate given as security therefor.

Section 910. Urban Renewal Loans.—An insured association may grant or participate in a grant of mortgage loans within an urban renewal area as defined in subsection (a) of section 110 of the Housing Act of 1949 as amended, provided, such loans shall not exceed eighty percent of the fair market value of any type of improved property.

Section 911. Limitation on Loans and Participation in Loans in Urban Renewal Areas.—The aggregate amount that an association may invest in loans and participations in loans in urban renewal areas plus the amount of real property owned by the association in urban renewal areas, plus investments made in accordance with the provisions of subsection 922 (j) of this act shall not exceed five percent of the assets of the association. Loans in urban renewal areas which meet all of the requirements of this act without the benefit of the authority to make such loans as contained in section 910 shall not be included in said five percent limitation.

Section 912. Business Development Credit Corporation Loans.—An association may make such mortgage loans as are authorized by the

Business Development Credit Corporation Law of 1959 (P. L. 1647), as amended.

Section 913. Construction Loans.—Any mortgage herein authorized may be made for the acquisition and construction or the construction of a structure as hereinbefore classified for loans on improved real estate. The security documents shall specify the terms upon which advances are to be made on such construction loan and it may be combined with a permanent loan to continue after completion of the construction.

Section 914. Additional Collateral for Mortgage Loans.—(a) Any mortgage loan may be increased by the withdrawal value of any savings account pledged to the association by the borrower or any savings account holder as additional security for such loan. Such savings account or accounts assigned or pledged as additional collateral security for the loan by the borrower or any other savings account owner may be released by the association whenever the mortgage loan meets all of the requirements of this act and may be legally made at the time of release without the requirement of additional collateral.

(b) 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.

Section 915. Terms of Mortgage.—All mortgages shall be written on a monthly direct reduction loan basis and the contract shall provide that the first monthly payment shall be made not later than sixty days after the advance of the loan, provided however:

(a) If a direct reduction loan is to finance new construction the first monthly payment may be postponed to a date not later than twelve months after the date of the first advance made on the loan.

(b) If the term of the loan is for a period not exceeding ten years and if the loan together with all other loans held by the association on the security of the same property does not exceed fifty percent of the fair market value of such property the loan may be made without provision for monthly amortization provided, however, that the security documents require the payment of interest not less frequently than semi-annually.

(c) If the loan is made for the purpose of financing new construction of a one to four family residential property and is in an amount not to exceed eighty percent of the fair market value thereof it may be made for a term not exceeding eighteen months without requiring amortization during said eighteen months. Interest shall be payable not less frequently than semi-annually. If the loan is for the purpose of financing construction of residential property designed for use by more than four families and in an amount not exceeding seventy-five percent of the fair market value it may be made for a period not exceeding eighteen months without amortization but interest shall be payable not less frequently than semi-annually.

(d) If the loan is made 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 and does not exceed eighty percent of the fair market value of the property it may be made for a term not exceeding eighteen months without amortization but interest shall be payable not less frequently than semi-annually.

(e) Any development loan under section 908 shall be repayable within three years and the interest on any such loan shall be payable at least semi-annually.

(f) None of the limitations as to terms of repayment or term of mortgage shall be construed to apply to a purchase money mortgage taken by an association on real property or leasehold interest in real property owned by it and sold to the borrower.

(g) Interest; premiums and charges:

(1) Loans may be made at any rate of interest not exceeding the legal rate,

(2) Loans may be made with or without charging the borrower a premium. If a premium is charged by the association and deducted in advance it shall not exceed ten percent of the amount of the loan. If the premium is paid by the borrower in installments it shall not exceed one percent per annum of the unpaid balance of the principal amount of the loan and shall be payable in periodic installments extending over the period of the loan which installments shall be payable upon the same day as the periodic payment of principal and interest is due upon said loan,

(3) If the borrower shall prepay a loan upon which the association has deducted a premium in advance no refund shall be required if the amount of said premium amounts to two percent or less of the amount of the loan. However, if the premium exceeds two percent of the amount of such loan the association shall not retain more than one one-hundredth of such premium for each calendar month that has expired since the date of the first advance of funds under the loan,

(4) A premium paid pursuant to the provisions of this subsection by a borrower from an association shall not be deemed usurious and the total interest and premium shall be deemed a lawful contract rate,

(5) An association may levy a reasonable charge upon any corporation or person applying for a mortgage loan for its services in making searches of title and appraising the real property offered to the association as security, in drawing any papers incident to the loan for which such real property is given as security, and in taking any other action permitted or required by law with respect to such loan, including the reducing of the amount of the loan, extending its maturity or otherwise readjusting or refinancing it, releasing any portion of the security and for any other action by the association permitted or required by law with respect to such loans,

(6) An association may impose a late charge upon all borrowers who do not make payment on the date specified. Such late charge may be

imposed each month on the amount of the payment which was not paid on the due date,

(7) Borrowers shall have the right to prepay loans without penalty unless the loan contract makes express provision for a prepayment penalty. The prepayment penalty for a loan secured by a one to four family residence property shall not exceed six months advance interest on that part of the aggregate amount of all prepayments made on a loan in any one year which exceeds twenty percent of the original principal amount of the loan.

Section 916. Limitation on Amount of Loans to Any One Borrower.—An association shall not, directly or indirectly, grant loans to any one corporation or person to a total amount in excess of ten percent of the amount of its savings.

(a) 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 percent or more of the capital stock.

(b) 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 percent or more of the capital stock.

(c) 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 percent or more of the capital stock of such corporation.

Section 917. Right to Purchase, Sell and Participate in Mortgages.—(a) An association may purchase and sell mortgages and participations in mortgages and participate with other lenders in originating and making any type of mortgage loan that it is authorized to make under the provisions of this act.

(b) In addition to the authority set forth in sections 901 and 910 of this article, an association shall have the right to purchase mortgages and participations in mortgages secured by property outside its regular lending area, subject to the following conditions:

(1) Mortgages shall be secured by property within the regular lending area of the originating lender,

(2) The originating lender shall agree to service the entire loan until it is repaid in full,

(3) No mortgage or participation interest in a mortgage shall be

purchased unless the mortgage is one that the purchasing association could make under the provisions of this act if the security property were within its regular lending area,

(4) The dollar amount that an association may have invested in mortgages and participation loans outside its regular lending area shall at no time exceed forty percent of the assets of the association. This limitation shall not apply to loans 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.

Section 918. Loans for Property Repair, Alteration and Improvement.—Notwithstanding any other provisions of this or any other act an association may grant loans for repair, alteration or improvement of real property without the necessity of mortgage security subject to the following provisions:

(a) When such loans are insured or will be insured under Title I of the National Housing Act they may be granted in any amount and on any terms permitted by that act or the regulations issued thereunder.

(b) When any such loan is not insured under Title I of the National Housing Act the principal amount thereof shall not exceed five thousand dollars (\$5,000) and the loan shall be evidenced by note or other written evidence of debt requiring repayment in regular monthly installments over a period not exceeding five years with interest at a rate not exceeding six percent per annum on the declining balance. Such loans may be made with or without charging the borrower a premium. The premium shall be paid by the borrower in installments and shall not exceed one percent per annum of the unpaid balance of the principal amount of the loan and shall be payable in monthly installments extending over the period of the loan which installments shall be payable upon the same day as the monthly payment of principal and interest is due upon said loan. The note or other written evidence of debt shall contain a provision that if the borrower shall sell the premises or assign his leasehold interest therein or remove therefrom any improvements described in the security agreement the entire balance remaining due on the loan shall immediately become due and payable. In addition to the interest herein authorized an association may make the following charges in connection with said loan:

(1) Premiums for insurance obtained in connection with the loan,

(2) A single delinquency charge for each installment in arrears for a period of more than fifteen days other than by reason of acceleration or by reason of a delinquency on a prior installment in an amount not to exceed the lesser of two dollars and fifty cents (\$2.50) or five percent of the amount of the installment,

(3) A charge for an extension in an amount not to exceed two percent of the unpaid balance of the loan. Said charge may be imposed only one time during the life of the loan,

(4) Fees paid for filing documents in public offices in connection with said loan,

(5) Actual expenditures including reasonable attorneys' fees for proceedings to collect the loan.

(c) The aggregate amount of all such loans held by any one association at one time with or without Title I insurance shall not exceed twenty percent of its total assets. Any such loan made without Title I insurance shall also conform to rules and regulations which may be prescribed from time to time by the department.

Section 919. Loans Secured by Chattel Paper.—(a) When an association holds a mortgage on real estate or on a leasehold interest therein it may also grant a loan secured by chattel paper to the mortgagor of the real estate or a leasehold interest to assist him in the purchase of consumers' durable goods, which shall be used in connection with said mortgaged premises, provided:

(1) Any such loan shall conform to the requirements of Article 9 of the Uniform Commercial Code approved April 6, 1953 (P. L. 3), its amendments and supplements. No examination of public records shall be required in connection with the loan secured by chattel paper if the borrower is newly acquiring title to all of the chattels described in the security agreement and the seller of the chattels furnishes to the association a receipted bill for the same,

(2) No such loan shall exceed five thousand dollars (\$5,000) in amount, nor shall its term exceed five years,

(3) No such loan may be granted unless it constitutes a first lien on the chattels described therein,

(4) In addition to obtaining a security agreement for such loans, the association shall secure a promissory note evidencing the borrower's agreement to repay said loan in regular monthly installments over a period not exceeding five years with interest at a rate not exceeding six percent per annum on the declining balance. The note shall contain a provision that if the obligor shall sell the mortgaged real estate or assign his leasehold interest therein or remove therefrom any chattels described in the security agreement the entire balance remaining due on the loan shall immediately become due and payable,

(5) An association may make the following charges in connection with said loan:

(i) Premiums for insurance obtained in connection with the loan,

(ii) A single delinquency charge for each installment in arrears for a period of more than fifteen days other than by reason of acceleration or by reason of a delinquency on a prior installment, in an amount not to exceed the lesser of two dollars and fifty cents (\$2.50) or five percent of the amount of the installment,

(iii) A charge for an extension in an amount not to exceed two percent of the unpaid balance of the loan, said charge may be imposed only one time during the life of the loan,

(iv) Fees paid for filing documents in public offices in connection

with said loan,

(v) Actual expenditures, including reasonable attorneys' fees for proceedings to collect the loan,

(vi) Such loans may be made with or without charging the borrower a premium. The premium shall be paid by the borrower in installments and shall not exceed one percent per annum of the unpaid balance of the principal amount of the loan and shall be payable in monthly installments extending over the period of the loan which installments shall be payable upon the same day as the monthly payment of principal and interest is due upon said loan.

Section 920. Loans on the Security of Savings Accounts.—An association may make loans on the security of its savings accounts whether or not the borrower is the owner of such account, provided:

(a) The association obtains a lien upon or a pledge of such savings accounts as security therefor,

(b) The loan shall not exceed the withdrawal value of the savings account securing the loan.

Section 921. 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 percent of its assets. Such loans shall be made under such regulations as the department may prescribe. In the event that the department shall not prescribe regulations then said loans shall be made under such regulations as are issued under and in accordance with the Pennsylvania Higher Educational Assistance Agency Act. 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 rights, powers, privileges and obligations of a person of full age with respect thereto.

Section 922. Securities and Obligations.—An association may invest its funds:

(a) In 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,

(b) In bonds, debentures and other obligations of the Federal Home Loan Banks issued under the provisions of the Federal Home Loan Bank Act,

(c) In bonds or interest-bearing debentures issued by the Federal Savings and Loan Insurance Corporation under the provisions of Title IV of the National Housing Act,

(d) In 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,

(e) In 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 percent of its savings accounts,

(f) In stock of the Federal National Mortgage Association acquired by an association through making nonrefundable capital contributions in connection with the sale of mortgages to the Federal National Mortgage Association,

(g) In demand, time, or savings deposits, shares or accounts or other obligations of any financial institution, the accounts of which are insured by a Federal agency,

(h) In shares, bonds or notes of any State or regional business development credit corporation formed under the laws of this Commonwealth,

(i) In bonds and notes of the Pennsylvania Housing Agency created by the "Housing Agency Law,"

(j) An insured association may invest in obligations in the form of a bond or other instruments secured by a first lien on improved real property located within the regular lending area of the association and within an urban renewal area as defined in subsection (a) of section 110 of the Housing Act of 1949 as amended. No such investment shall be made if the total amount of all obligations issued on the security of the said first lien exceeds eighty percent of the fair market value of the security property, or if the obligations do not require repayment of the entire principal debt, together with interest, in substantially equal payments, at least annually, over a term of not more than thirty years. No investment shall be made under this subsection if the amount of such investment, plus all amounts outstanding in investments made in accordance with this subsection and in mortgages made under section 910 of this act and investments in real estate made under section 923 (c) of this act, would aggregate a total in excess of five percent of the association's assets,

(k) In obligations of any county, city, borough, town, township, 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,

(l) In obligations of a Pennsylvania municipality authority issued in accordance with applicable law, provided, however,

(1) The obligations are not in default and 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-tenth times the average annual fixed charges of its obligations over the life of such obligations, or

(2) The project for which the obligations were issued,
(i) Is under lease to a school district or school districts, or
(ii) Is under lease to a municipality or municipalities, or
(iii) Is subject to a service contract with a municipality or municipalities, and
(iv) As a condition of said lease or service contract 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-tenth times the average annual fixed charges for such obligations over the life thereof.

(3) As used in this section the term "income available for fixed charges" shall mean income after deducting operating and maintenance expenses.

(4) The term "fixed charges" shall include principal, both maturity and sinking fund, and interest on bonded debt.

(5) In computing the 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.

(m) In bonds or other interest-bearing obligations of The General State Authority,

(n) In 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 associations and savings banks organized and existing under the laws of the Commonwealth of Pennsylvania and by Federal savings and loan associations having their home offices in the Commonwealth of Pennsylvania. The department 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 percent of its assets,

(o) In obligations issued or guaranteed by the International Bank for Reconstruction and Development or by the Inter-American Development Bank, or in loans in Latin American countries guaranteed by the United States (acting through AID) under subsection 224 of the Foreign Assistance Act of 1961, as amended,

(p) In bankers' acceptances and bills of exchange eligible for purchase in the open market by a Federal Reserve Bank which have been accepted by a member of a Federal Reserve Bank subject to a limit for all acceptances by one acceptor held at any time of twenty-five percent of the capital and surplus of such acceptor and to a limit to the aggregate of all such acceptances held at any time of five percent of the assets of the association,

(q) In such obligations of any corporation organized or caused to

be organized by the United States of America or the Commonwealth of Pennsylvania as the department may by regulation authorize.

Section 923. Real Estate.—(a) An association may invest its funds in real property which the association occupies for its accommodations and transaction of its business, or such real property as it partly so occupies and it partly leases to others. No such investment may be made without the prior approval of the department of the total amount of the investment in real estate for the accommodation of the association and the transaction of its business exceeds the amount of the association's net worth.

(b) An association may invest its funds in such real estate as it shall purchase at sales under judgments, decrees and mortgages held by it or as it shall otherwise acquire in good faith and in satisfaction of debts previously contracted to it or in order to protect an interest it may otherwise have lawfully acquired in such property. The board of directors shall annually review such investments. The said real estate shall be sold as promptly as the same may expeditiously be done.

(c) An insured association may invest its funds in real property, or interests in real property, in its regular lending area and within an urban renewal area as defined in subsection (a) of section 110 of the Housing Act of 1949, as amended. No such investment shall be made unless the amount of such investment, plus all amounts outstanding in such investments, does not exceed two percent of the association's assets and total of such investments and loans made under section 910 and subsection (j) of section 922 does not exceed five percent of the association's assets. The department may prescribe regulations under which such investments may be made.

Section 924. Avoidance of Loss on Loans Previously Made.—An association shall have the right to invest its funds, operate a business, manage or deal in property, or take any other action over whatever period of time may reasonably be necessary to avoid loss on a loan or investment previously made or an obligation previously created in good faith.

ARTICLE X

Amendment of Articles

Section 1001. Authorized Amendments.—(a) An association may, in the manner provided in this article, amend its articles at any time in order to make any change therein including, but without limiting the general authorization contained herein, an amendment:

- (1) To adopt a new name permitted to be used under this act,
- (2) To increase the term for which it is to exist or to provide for perpetual existence,
- (3) To change, add to or diminish the statement of its purpose or purposes,

(4) To restate the articles in their entirety.

(b) Articles as amended under this section must be such as would be authorized as original articles under this act except that articles restated in their entirety shall state the county of the current, instead of the original, place of business of the association and need not state names or other information concerning the first directors or the incorporators.

Section 1002. Proposal and Adoption of Amendments.—(a) An amendment of the articles shall be proposed by adoption of a resolution by the board of directors directing that it be submitted to a vote at a meeting of members held upon not less than ten days' notice to all members. Such notice shall state the place, the day and the hour of the meeting.

(b) The resolution proposing an amendment or amendments shall contain the language of each amendment by setting forth in full the articles as they would be amended or any provision thereof as it would be amended or by setting forth in full any matter to be added to or deleted from the articles. A copy of the resolution or a summary thereof shall be included with the notice of the meeting to the members. Any number of amendments may be submitted to the members at one meeting.

(c) Unless the articles or bylaws require a greater number adoption of each amendment shall require the affirmative vote of a majority of the votes represented at the meeting in person or by proxy.

Section 1003. Articles of Amendment.—(a) Upon the adoption of an amendment or amendments, articles of amendment shall be signed by two duly authorized officers of the association under its seal and shall contain:

- (1) The name of the association,
- (2) The county of its principal place of business,
- (3) The act of Assembly under which the association was incorporated and the date of its incorporation,
- (4) The time and place of the meeting of members at which the amendment was adopted and the kind and period of notice given to the members,
- (5) The number of votes represented at the meeting,
- (6) The number of votes for and against the amendment, and
- (7) The amendment or amendments adopted which shall be set forth in full.

(b) The articles of amendment shall be delivered to the department together with:

(1) Applicable fees payable to the department in connection with the articles and with the conduct of the investigation required by section 1005,

(2) As soon as available, proof of publication of the advertisement required by section 1004, and

(3) If the amendment would change the name of the association, evidence of reservation in the Department of State of the proposed new name.

Section 1004. Advertisement.—(a) The association shall advertise its intention to deliver, or the delivery of, articles of amendment to the department once in each newspaper in which advertisement is required to be published in accordance with section 107 of this act.

(b) The advertisement shall appear prior to, or within seven days after, the date of delivery of the articles of amendment to the department and shall set forth briefly:

- (1) The name of the association,
- (2) The county address of its principal place of business,
- (3) A statement that articles of amendment are to be, or have been, delivered under the provisions of this act,
- (4) The nature of the amendment, and
- (5) The date of delivery of the articles of amendment to the department.

Section 1005. Approval of Articles of Amendment by Department.—(a) Upon receipt of the articles of amendment the department shall conduct such investigation as it may deem necessary to determine whether:

- (1) The articles of amendment and supporting items satisfy the requirements of this act,
- (2) The interest of its members and the convenience and needs of the public will be served by the amendment.

(b) Within sixty days after receipt of the articles of amendment the department shall approve or disapprove the articles of amendment on the basis of its investigation. If the department shall approve the articles of amendment, it shall deliver them with its written approval to the Department of State and notify the association of its action. If the department shall disapprove the articles of amendment, it shall give written notice to the association of its disapproval and a statement in detail of the reasons for its decision. The decision of the department shall be conclusive and shall not be subject to review except by the Supreme Court upon broad certiorari.

Section 1006. Issuance of Certificate of Amendment.—If all the fees, charges, and taxes, if applicable, required by law have been paid and, in the case of a change of name, if the proposed new name of the association continues to be reserved or is available on the records of the Department of State, the receipt of the articles of amendment by the Department of State with the written approval of the department shall constitute filing of the articles of amendment as of the date and time of receipt or as of any later date and time specified by the department. The Department of State shall immediately issue to the association a certificate of amendment as of the date and time of filing with

the approved articles of amendment attached thereto and shall make and retain a copy of such certificate and articles.

Section 1007. Effect of Filing of Articles of Amendment in Department of State and of Certificate of Amendment.—(a) As of the filing of the articles of amendment in the Department of State, each amendment shall become effective and the articles of incorporation shall be deemed to be amended accordingly.

(b) The certificate of amendment shall be conclusive evidence of the performance of all conditions required by this act for amendment of articles of incorporation, except as against the Commonwealth.

(c) No amendment shall affect any existing cause of action in favor of or against the association, any pending action in which the association is a party or existing rights of persons other than members. If the amendment changes the name of the association, no action by or against the association shall be abated for that reason.

ARTICLE XI

Mergers, Consolidations, Conversions and Reorganizations

Section 1101. Mergers, Consolidations and Conversions.—(a) Upon compliance with the requirements of this article, two or more associations may be merged into one of such associations or consolidate into a new association.

(b) Upon compliance with the requirements of this article and other applicable law, one or more associations and one or more savings banks may merge into an association or into a savings bank or consolidate into a new association or a new savings bank.

(c) Upon compliance with the requirements of this article, one or more associations and one or more Federal savings and loan associations may merge into an association or a Federal savings and loan association or consolidate into a new association or a new Federal savings and loan association.

(d) The authority of an association to merge or consolidate into a Federal savings and loan association shall be subject to the condition that at the time of the transaction the laws of the United States shall authorize a Federal savings and loan association to merge or consolidate into an association.

(e) Upon compliance with the requirements of this article and other applicable law, an association may be converted into a Federal savings and loan association or a savings bank.

(f) Upon compliance with the requirements of this article and other applicable law and subject to the laws of the United States, a Federal savings and loan association may be converted into an association or a savings bank.

(g) All mergers, consolidations and conversions in which the resulting institution is an association or a savings bank shall be subject to the approval of the department.

Section 1102. Requirements for a Merger, Consolidation or Con-

version.—The requirements for a merger, consolidation or conversion which must be satisfied by the parties thereto are as follows:

(a) The parties shall adopt a plan stating the method, terms and conditions of the merger, consolidation or conversion, including the rights under the plan of the members and/or shareholders of each of the parties, and any agreement concerning the merger or consolidation.

(b) If the proposed merger, consolidation or conversion will result in an association subject to the provisions of this act, a Federal savings and loan association or a savings bank, adoption of the plan by each party thereto shall require the affirmative vote of two-thirds of the entire membership of the board of directors of each association, Federal savings and loan association, or the board of trustees of a savings bank. The department may require such vote of the members as it deems proper.

(c) Any modification of a plan which has been adopted shall be made by any method provided therein, or in the absence of such provision by the same vote as that required for adoption.

(d) If a proposed merger, consolidation or conversion will result in an association subject to this act, or a savings bank subject to the Banking Code of 1965 as amended, an application for the required approval thereof by the department shall be made in a manner prescribed by the department. The department may require notice to be given to such persons as it designates. There shall also be delivered to the department:

(1) Articles of merger, consolidation or conversion,

(2) Applicable fees payable to the department in connection with the articles and with the conduct of the investigation required by section 1106,

(3) If the resulting corporation is a savings bank under the Banking Code of 1965 as amended, any documents or other items required under that code,

(4) If the proposed name of the resulting association or savings bank is not identical with the name of one of the parties to the plan, evidence of reservation of such name in the Department of State, and

(5) If there is any modification of the plan at any time prior to the approval by the department an amendment of the application and, if necessary, of the articles, signed in the same manner as the originals, setting forth the modification of the plan, the method by which such modification was adopted and any related change in the provisions of the articles of merger, consolidation or conversion.

Section 1103. Articles of Merger, Consolidation or conversion.—The articles of merger, consolidation or conversion shall be signed by two duly authorized officers of each party to the plan under their respective seals and shall contain:

(a) The names of the parties to the plan and of the resulting association or savings bank.

- (b) The county of the principal place of business of each,
- (c) The votes by which the plan was adopted and the time, place and notice of each meeting in connection with such adoption,
- (d) The names and addresses of the first directors of the resulting association or the names and addresses of the first trustees of the savings bank,
- (e) In case of a merger, any amendment of the articles of the resulting association or savings bank,
- (f) A record of the employment contracts which are to be legally binding on the resulting association,
- (g) In the case of a consolidation, the provisions required in articles of incorporation of a new association by section 203 of this act,
- (h) In the case of a conversion, the provisions required in the articles of incorporation of a new association, or savings bank as the case may be,
- (i) The plan.

Section 1104. Action Where Approval by Department Not Required.—If a proposed merger, consolidation or conversion will result in a Federal savings and loan association, an association which is a party to a plan shall:

- (a) Notify the department of the proposed merger, consolidation or conversion,
- (b) Provide such evidence of the adoption of the plan as the department may request,
- (c) Notify the department of any abandonment or disapproval of the plan,
- (d) File with the department and with the Department of State a certificate of the approval of the merger or consolidation by the Federal Home Loan Bank Board or its successor which has the right on behalf of the United States to approve such mergers, consolidations or conversions into Federal savings and loan associations.

Section 1105. Advertisement.—The association shall advertise its intention to deliver, or the delivery of articles of merger, consolidation or conversion, once in each newspaper in which advertisement is required to be published in accordance with section 107 of this act and file proof of advertisement with the department.

(b) The advertisement shall appear prior to, or within seven days after, the date of delivery of the articles to the department and shall set forth briefly:

- (1) The name and county of the principal place of business of each of the associations or Federal savings and loan associations or mutual savings bank intending to merge, consolidate or convert,
- (2) The name and county of the place of business of the new, resulting or converted association or mutual savings bank,
- (3) A statement that the articles of merger, consolidation or conversion are to be filed under the provisions of this act if such merger, consolidation or conversion results in an association subject to the provisions of this act, or if the articles provide for a conversion from a

Federal savings and loan association to an association subject to the provisions of this act. If the resulting corporation is a savings bank, subject to the Banking Code of 1965 as amended, a statement to this effect shall be contained in the advertisement,

(4) The purpose or purposes of the resulting, new or converted association or savings bank,

(5) The date when the articles of merger, consolidation, or conversion will be or have been delivered to the department.

Section 1106. Approval of Merger, Consolidation or Conversion by the Department.—(a) Upon receipt of an application for approval of a resulting new or converted association or savings bank as a result of a merger, consolidation or conversion the department shall conduct such investigation as it may deem necessary to ascertain:

(1) Whether the articles and supporting items satisfy the requirements of this act, and if the Banking Code of 1965 as amended is applicable, that the requirements of that act are satisfied,

(2) Whether the name of the resulting, new or converted association or savings bank conforms with the requirements of the law,

(3) If the name is not the same as either of the merging or consolidating associations in the case of a merger or consolidation the department shall determine whether the name is so similar to a name presently in use by a corporation that it is likely to mislead the public,

(4) Whether the merger, consolidation or conversion would be consistent with adequate and sound savings and loan practices and in the public interest. In determining this the department may consider:

(i) The financial history and condition of the parties to the plan,

(ii) Their prospects,

(iii) The management of the associations or corporations,

(iv) The effect of the merger, consolidation or conversion on competition, and

(v) The convenience and needs of the area primarily to be served by the resulting corporation.

(b) Within sixty days after receipt of the application or within an additional period of not more than thirty days after receipt of the amendment to the application, the department shall approve or disapprove the application on the basis of its investigation. The department shall immediately give to the parties to the plan written notice of its decision and, in the event of disapproval, a statement in detail of the reasons for its decision. The decision of the department shall be conclusive and shall not be subject to review except by the Supreme Court upon broad certiorari.

Section 1107. Procedure After Approval by Department; Issuance of Certificate of Merger, Consolidation or Conversion.—(a) If the laws of the United States require the approval of the merger, consolidation or conversion by any Federal agency, the department shall after its approval retain the articles of merger, consolidation or conversion

¹ "investigations" in original.

until it receives notice of the decision of such agency. If such agency shall refuse to give its approval, the department shall notify the parties to the plan that the department's approval has been rescinded for that reason. If such agency gives its approval, the department shall immediately deliver the articles of merger, consolidation or conversion with its written approval to the Department of State for filing as of a date and time specified by the department and shall notify the parties to the plan.

(b) If all the taxes, fees and charges required by law shall have been paid and if the name of the resulting savings association or savings bank continues to be reserved or is available on the records of the Department of State, the receipt of the articles by the Department of State with the written approval of the department shall constitute filing of the articles of merger, consolidation or conversion as of the date and time of receipt or as of any later date and time specified by the department. The Department of State shall immediately issue a certificate of merger, consolidation or conversion as of the date and time of filing with the approved articles of merger, consolidation or conversion attached thereto and shall make and retain a copy of such certificate and articles.

Section 1108. Effect of Merger, Consolidation or Conversion.—(a) As of the filing of the articles of merger, consolidation or conversion in the Department of State, the merger, consolidation or conversion shall be effective.

(b) The certificate of merger, consolidation or conversion shall be conclusive evidence of the performance of all conditions precedent to the merger, consolidation or conversion and of the existence or creation of the resulting savings association or savings bank, except as against the Commonwealth.

(c) When a merger or consolidation or conversion becomes effective, the existence of each party to the plan, except the resulting association or savings bank, shall cease as a separate entity but shall continue in, and the parties to the plan shall be, a single corporation which shall be the resulting savings association or savings bank and which shall have without further act or deed, all the property, rights, powers, duties and obligations of each party to the plan.

(d) The articles of the resulting association or savings bank shall be, in the case of a merger, the same as its articles prior to the merger with any change stated in the articles of merger, or in the case of a consolidation, the provisions stated in the articles of consolidation.

(e) If the resulting corporation shall be a savings association such association shall have the authority to engage only in such business and exercise only such powers as it would have under original incorporation under this act. If the resulting corporation shall be a savings bank it shall engage only in such business and it shall have only such powers as it would have if it had been originally incorporated under the Banking Code of 1965 as amended.

(f) No liability of any party to the plan or of its members, direc-

tors, trustees or officers shall be affected, nor shall any lien on any property of a party to the plan be impaired, by the merger, consolidation or conversion. Any claim existing or action pending by or against any party to the plan may be prosecuted to judgment as if the merger, consolidation or conversion had not taken place or the resulting corporation may be substituted in its place.

Section 1109. Rights of Dissenting Members.—No mortgage account member shall have any rights of any nature with regard to proceedings for merger, consolidation or conversion and shall conclusively become a borrower of the resulting association or savings bank in the event of a merger, consolidation or conversion. A savings member who dissents from any plan of merger, consolidation or conversion shall have the right to have his savings paid to him in full together with any and all additions thereto which have been credited to his account by way of earnings prior to the effective date of the merger, consolidation or conversion within thirty days of the receipt of notice by the association of his dissent.

Section 1110. Reorganization of Associations.—An association may reorganize under the provisions of this section by adopting and carrying out a plan of reorganization which meets the requirements of this section.

(a) The plan which may include amendment of the articles of incorporation after adoption by the directors shall be submitted to the department for approval. The department may approve such plan if it deems the plan equitable and in the best interests of creditors and members of the association.

(b) The plan of reorganization, if approved by the department, shall be submitted to the members after such notice as may be required by the department.

(c) The plan shall be valid if approved by members holding fifty-one percent of the votes represented in person or by proxy at the meeting where such plan is voted upon, and by creditors holding at least ninety percent of the total amount of all liability of the association to creditors which will not be paid in full under the plan. Creditors who will be paid in full shall have no vote on approval or disapproval of the plan. A plan of reorganization which shall have been approved by the department and adopted by the members and the creditors entitled to vote thereon shall be binding upon all members and creditors of the association whether or not they voted for or consented to the plan of reorganization.

ARTICLE XII

Voluntary and Involuntary Dissolution; Distribution of Assets Upon Insolvency

Section 1201. Voluntary Dissolution Prior to Commencement of Business.—(a) An association which has not transacted any business for which a certificate of authorization is required under this act may propose to dissolve by a vote of two-thirds of the incorporators and

by delivering to the department articles of dissolution which shall be signed and acknowledged by a majority of the incorporators and which shall contain:

- (1) The name of the association,
- (2) The county in which it was to have its place of business,
- (3) The date of its incorporation,
- (4) A statement that it has not transacted any business for which a certificate of authorization is required under this act,
- (5) A statement that all liabilities of the association have been paid or provided for,
- (6) A statement that all amounts received on account of the expense fund, less amounts disbursed for expenses, have been returned to the persons entitled thereto,
- (7) The number of incorporators entitled to vote on the dissolution and the number of votes for and against dissolution respectively.

(b) The articles of dissolution shall be delivered to the department together with any applicable filing fee. If the department is satisfied that the association has not conducted any business for which a certificate of authorization is required under this act and if it finds that the articles of dissolution satisfy the requirements of this act, it shall deliver them with its written approval to the Department of State which shall file the same on the date received from the department. The department shall notify the association of its action. If the department shall disapprove the articles of dissolution, it shall give written notice to the association of its disapproval and a statement in detail of the reasons for its decision. The decision of the department shall be conclusive and shall not be subject to review except by the Supreme Court upon broad certiorari.

Section 1202. Voluntary Dissolution After Commencement of Business.—(a) An association which has commenced business may elect to dissolve voluntarily upon:

(1) Adoption by the vote required of its members under subsection (b) of this section of a plan of dissolution providing for full payment of its liabilities, and

(2) Approval by the department of the plan of dissolution after application for approval thereof in a manner prescribed by the department.

(b) Adoption of the plan by the members of an association shall require the affirmative vote of the members entitled to cast at least ¹two-thirds of the votes which all members are entitled to cast on the plan at a meeting held upon not less than ten days' notice to all members.

(c) Upon receipt of an application for approval of a plan of dissolution, the department shall conduct such investigation as it may deem necessary to determine whether:

- (1) The plan satisfies the requirements of this act,

¹ "two-third" in original.

(2) The plan adequately protects the interest of members and creditors, and

(3) Within sixty days after receipt of the application, the department shall approve or disapprove the application on the basis of its investigation and shall immediately give to the association written notice of its decision, and in the event of disapproval, a statement in detail of the reasons for its decision. The decision of the department shall be conclusive and shall not be subject to review except by the Supreme Court upon broad certiorari.

Section 1203. Certificate of Election for Vountary Dissolution.—

(a) Immediately after the adoption and approval of a plan of dissolution under section 1202 of this act, the association shall deliver to the department, together with applicable fees payable to the department, a certificate of election to dissolve which shall be signed by two of its duly authorized officers under its seal and which shall contain:

- (1) The name of the association,
- (2) The county of its principal place of business,
- (3) The names and addresses of its officers and directors, and
- (4) The number of votes entitled to be cast on the plan of dissolution and the number of votes cast for and against the plan.

(b) If the department has approved the plan of dissolution and if the certificate satisfies the requirements of this act, it shall deliver the certificate with its written approval to the Department of State which, upon payment of applicable fees and charges, shall issue to the association the approved certificate of election to dissolve and shall make and retain a copy thereof.

(c) Upon the issuance of an approved certificate of an election to dissolve, the association shall cease to carry on its business except insofar as may be necessary for the proper winding up thereof but its corporate existence shall continue until issuance of a certificate of dissolution under this act.

Section 1204. Winding Up in Voluntary Dissolution Proceedings.—

(a) The board of directors shall have full power to wind up and settle the affairs of the association in voluntary dissolution proceedings.

(b) Within thirty days after the issuance of an approved certificate of election to dissolve, the association shall give notice of its dissolution:

(1) By mail to each member and creditor, including a statement of the amount shown by the books of the association to be due to such member or creditor, and a demand that any claim for a greater amount be filed with the association before a specified date at least sixty days after the date of notice,

(2) By conspicuous posting at each office of the association, and

(3) By such publication as the department may prescribe.

(c) All claims of members and creditors shall be paid promptly after the date specified in the notice given under subsection (b) (1) of this section.

(d) Assets remaining after the performance of all obligations of the

association under subsection (c) of this section shall be distributed to its members according to their respective rights and preferences. Partial distributions to members may be made prior to such time only if, and to the extent, approved by the department.

(e) During the course of dissolution proceedings the association shall make such reports as the department may require and the association shall continue to be subject to the provisions of this act concerning examinations of associations until completion of the dissolution of the association.

(f) If at any time during the course of dissolution proceedings the department finds that the assets of the association will not be sufficient to discharge its obligations, the department may then or at any time thereafter take possession of the business and property of the association and complete the dissolution in accordance with the provisions of the Department of Banking Code.

Section 1205. Articles of Dissolution.—(a) When all the liabilities of the association have been discharged, and all its remaining assets have been disbursed to members pursuant to section 1204, articles of dissolution shall be signed by two duly authorized officers of the association under its seal and shall contain:

(1) The name of the association and the post office address of its principal place of business,

(2) A statement that the association has previously delivered a certificate of election to dissolve to the department, and the date on which the approved certificate was filed in the Department of State.

(3) A statement that all liabilities of the association have been discharged, and that the remaining assets of the association have been distributed to its members, and

(4) A statement that there are no suits pending against the association.

(b) The articles of dissolution shall be delivered to the department together with any applicable filing fees. If the department finds that the articles satisfy the requirements of this act it shall deliver them with its approval to the Department of State.

Section 1206. Certificate of Dissolution.—If all applicable fees, charges and taxes required by law have been paid, the receipt of articles of dissolution by the Department of State, with the written approval of the department, shall constitute filing of the articles of dissolution as of the date and time of receipt. The Department of State shall immediately issue to the association a certificate of dissolution as of the date and time of filing, with the approved articles of dissolution attached thereto, and shall make and retain a copy of such certificate and articles. Upon the filing of the articles of dissolution, the existence of the association shall cease.

Section 1207. Involuntary Dissolution.—(a) The department shall issue a certificate of dissolution under its seal:

(1) If a certificate of authorization has not been issued to a newly incorporated association within two years after the date of its incorpo-

ration or such longer time as the department may allow for satisfaction of conditions precedent to the issuance of a certificate of authorization, or

(2) If the department shall determine, after notice to the association, to issue a certificate of dissolution. Said determination shall be made if the department finds that the association has not exercised any of its powers under its articles, for any continuous period of two years, or

(3) If the department after having taken possession of the business and property of an association has completely liquidated its assets, or

(4) If the department, after having taken possession of the business and property of an association, has surrendered to any corporation or person the assets of the association in order to permit the carrying out of a special plan of liquidation, or

(5) If the directors of an association or the liquidating trustees under the Building and Loan Code of 1933, as amended, pursuant to a plan of voluntary dissolution, have completely liquidated its assets and have not filed the articles of dissolution pursuant to the provisions of this act.

(b) In connection with the issuance of a certificate of dissolution for any of the reasons set forth in subsection (a) above, the department shall recite the applicable facts and state that the certificate of authorization of the association and its articles of incorporation have been forfeited by reason of such facts and shall file the certificate in the Department of State.

(c) Upon filing of the certificate of dissolution in the Department of State all rights of the association under its certificate of authorization shall cease and its existence as an incorporated association shall cease.

Section 1208. Distribution of Assets Upon Liquidation.—In the distribution of assets of an association which is liquidated or dissolved, either under this act or by any other method, payment shall be made of liabilities and obligations to members in the following order:

(a) First, the payment of costs and expenses of administration of the liquidation or dissolution,

(b) Second, the payment of claims which are given priority by applicable statutes and, if the assets are insufficient for the payment in full of all such claims in the order provided by such statutes, or, in the absence of contrary provisions, *pro rata*,

(c) Third, the payment of all other creditor claims,

(d) Fourth, to payment of savings accounts on a basis *pro rata* to the balance in each account.

ARTICLE XIII

Foreign and Federal Associations

Section 1301. Foreign Corporations.—(a) Foreign corporations shall not transact the business of an association within this Commonwealth, nor maintain an office within this Commonwealth, for the

purpose of transacting such business. It shall be unlawful for any person to engage in the business of soliciting or receiving within this Commonwealth subscriptions to the shares or savings accounts of such corporations or payments therefor, or of granting loans within this Commonwealth on behalf of such corporations, or of soliciting applications therefor, or of receiving within this Commonwealth on behalf of such corporations, interest, premiums, fees or payments of any kind or of transacting business in any manner within this Commonwealth on behalf of such corporation.

(b) A violation of this section shall be subject to the penalty provisions of this act.

Section 1302. Federal Associations.—Notwithstanding any other provision of this act, unless Federal laws or regulations provide otherwise, a Federal savings and loan association, incorporated pursuant to the Home Owners' Loan Act of 1933, as now or hereafter amended, and whose principal office is in Pennsylvania, together with the members thereof, shall possess all of the rights, powers, privileges, benefits, immunities and exemptions that are now or hereafter provided in this code or by the laws of this Commonwealth for associations organized under the laws of this Commonwealth and for the members and savings account holders thereof. This provision is additional and supplemental to any provision which by specific reference is applicable to Federal savings and loan associations and the members thereof.

ARTICLE XIV

Provisions Applicable to Department of Banking and Savings Association Board

Section 1401. Examinations and Reports.—(a) The department shall examine all associations at least once each year and may examine any association more frequently and at any time it deems such action necessary or desirable for protection of members or ¹ creditors. The examination shall include a review of the accounts, records and affairs of the association, its compliance with law and such other matters as the department may determine. For this purpose the department may examine a person which is performing services for an association.

(b) In the case of an association whose savings are insured by the Federal Savings and Loan Insurance Corporation the department may accept, in lieu of any examination required by this section and in lieu of any report required by the Department of Banking Code, examinations and reports made by examiners for the Federal Savings and Loan Insurance Corporation, the Federal Home Loan Bank Board, or a Federal Home Loan Bank.

(c) Except as modified by the provisions of this section, the provisions of the Department of Banking Code governing the examinations and reports shall continue to apply to associations.

¹ "creditor" in original.

Section 1402. Relationship of Savings Associations and Their Personnel with Officials and Employees of the Department.—(a) Except as provided in subsection (c) of this section a savings association or any director, officer, employe or attorney thereof shall not grant or give to the Secretary of Banking, any official or employe of the department, any deputy or any employe of the Secretary of Banking as receiver, any sum of money or any property as a gift, loan or otherwise, directly or indirectly—subject to the penalty provisions of this act.

(b) Neither the Secretary of Banking, nor any official or employe of the department shall hold any office or position in a savings association nor exercise any right to vote on an association matter by reason of membership in such association—subject to the penalty provisions of this act.

(c) The prohibitions of subsections (a) and (b) of this section shall not apply to either:

(1) A loan subject to the provisions of this act secured by a lien on the home of the Secretary of Banking, an official or employe of the department, or

(2) A savings account with an association, except that an examiner assigned to the examination of savings associations shall not have a savings account in any association.

Section 1403. Savings Association Board.—(a) There is hereby created a Savings Association Board consisting of nine members of whom one shall be the Secretary of Banking who shall act as chairman and eight shall be members appointed by the Governor. Of said eight members two may be members at large appointed without reference to any nominations by the Pennsylvania Savings and Loan League. The members of the present Building and Loan Board shall become members of the Savings Association Board upon the effective date of this act.

(b) The term of office of each member of the Savings Association Board appointed after the effective date of this act shall be five years. Members shall serve until their successors are duly appointed and have qualified. Appointed members of the board shall qualify by giving written notice to the Secretary of Banking of their acceptance of such appointment. The current term of each member of the Savings Association Board who by virtue of this act becomes a member of the board through being a member of the Building and Loan Board shall be the remainder of the period for which he was appointed to the Building and Loan Board.

(c) The members shall have at least five years' experience in any business of the kinds in which associations are engaged. The Pennsylvania Savings and Loan League may make at least three nominations for appointment to each vacancy on the board except where the vacancy is for a member at large. If such nominations are made, the Governor shall appoint one of the nominees to each vacancy.

(d) Each board may by vote of a majority of all of its members excuse any member for failure to attend its meetings. The office of

any member not so excused who is absent from six consecutive meetings shall be declared vacant and the vacancy filled by the Governor in accordance with this section.

(e) The board shall meet upon the call of the chairman, notice of which shall be given to each member, in writing, not less than five days prior to the date fixed for such meeting. A majority of all the members in office shall be necessary to constitute a quorum for the transaction of business. The acts of the majority of the members present at a meeting at which a quorum is present shall be the acts of the board. The chairman shall have no vote unless the members present shall be equally divided. The department shall designate from among its employes a secretary to the board. Full minutes of the proceedings of the board shall be kept by the secretary.

(f) Members of the board shall serve without compensation, but shall be entitled to personal expenses actually incurred in the performance of duties, which, if approved by the department, shall be paid by it.

(g) The functions of the Savings Association Board shall be:

(1) To exercise the power to remove from his office or position an officer, employe, director or attorney of an association pursuant to provisions hereinafter set forth.

(2) To be available upon call of the department for advice concerning any action of the department on any other matter arising under this act, but the department shall have the responsibility for decision as to any such action.

Section 1404. Orders by Department.—(a) The department may by written order direct an association to discontinue any violation of law or any unsafe or unsound business practice.

(b) If any director, officer, attorney or employe, continues to violate the law or conduct of the business of an association in an unsafe or unsound manner, after having been ordered by the department to discontinue such violations of law or such unsafe or unsound business practices, the department may issue a written order directing such director, officer, attorney or employe to appear on the date fixed in such order before the Savings Association Board and show cause why he should not be removed from his office or position.

(c) A copy of such order shall be sent to the association of which such person is a director, officer, attorney or employe, and a copy sent to the Savings Association Board.

(d) If the director, officer, attorney or employe so ordered to appear before the Savings Association Board does not so appear, or if after appearance the board determines that he has been guilty of a violation of law or an unsafe or unsound business practice and should be removed from office and so notifies the department, the department shall issue an order directing the association to remove such person from his office or position and declare such office or position vacant. The department shall specify in its order the date upon which any such removal and declaration of vacancy shall become effective.

Section 1405. Hearing Before Savings Association Board.—(a) On the day fixed in the department's order for a director, officer, attorney or employe to appear before the Savings Association Board, such person shall be heard in person or by counsel by the Savings Association Board. By agreement of the parties said hearing may be closed to the public.

(b) If, after such hearing, it shall appear that such director, officer, attorney or employe is found guilty of a violation of law or an unsafe or unsound business practice and should be removed from his office or position, it shall, within sixty days of such hearing, notify the department of its decision.

(c) If the person ordered by the department to appear before the Savings Association Board is a director, officer, attorney or employe of an association which is a member of the Federal Home Loan Bank or the Federal Savings and Loan Insurance Corporation, the department may notify such institution of its order directing the appearance of such person before the Savings Association Board, and of the decision of the said board.

(d) In connection with any hearing or investigation, the board shall have power to issue subpoenas, requiring the attendance of or the production of pertinent books and papers by any person including the officers, directors, agents, employes or members of any association. The Savings Association Board shall upon application of the department, director, officer, attorney or employe to be heard, subpoena such witnesses as are set forth in such application. The board shall have the power to question such witnesses under oath or affirmation and to examine such books and papers.

(e) Any witness who refuses to obey a subpoena, issued under this section, or who refuses to be sworn or affirmed or to testify, or who is guilty of any contempt, after summons to appear, may be punished as for contempt of court, and for this purpose, an application may be made to any court of common pleas, within whose territorial jurisdiction the offense was committed, for which purpose such court is hereby given jurisdiction.

(f) A director, officer, attorney or employe who is removed from his office or position as provided in this article, shall thereafter be disqualified from acting as a director, officer, attorney or employe of any association in this Commonwealth for such period as the Savings Association Board shall prescribe.

ARTICLE XV

Penalties and Criminal Provisions

Section 1501. False or Misleading Statements in Application.—Any person who shall knowingly make any false or misleading statement in the application for a mortgage loan or any other type of loan or in a request for advance or loan of funds from an association or shall knowingly conceal any material fact or facts in such application

or who shall falsify or mutilate any application for any loan after it has been signed and delivered to the association, or who shall abstract any such application from the records of the association, or who shall cause or induce any other person to make any such statement or conceal any such fact or facts, falsify, mutilate or abstract any such application in the manner hereinbefore described shall be guilty of a misdemeanor and shall upon conviction thereof, be subject to imprisonment for a period not exceeding three years or a fine not exceeding one thousand dollars (\$1,000) or both.

Section 1502. Doing Business by a Foreign Corporation.—Any individual who shall violate the provisions of section 1301 of this act shall be guilty of a misdemeanor and shall upon conviction thereof, be subject to imprisonment for a period not exceeding one year or a fine not exceeding one thousand dollars (\$1,000) or both. He shall also be subject to a further fine equal to any moneys received by him within this Commonwealth in violation of said section. The corporation which such individual represents shall be guilty of a misdemeanor and upon conviction thereof shall be subject to a fine of five thousand dollars (\$5,000). Such corporation shall be subject to a further fine equal to the amount of any moneys received by such corporation or its agent in violation of this section.

Section 1503. Perjury.—Anyone who shall wilfully and corruptly make a false statement under any oath or affirmation provided for in this act, or in any document required to be executed by this act or anyone who shall by means procure or suborn any other person to do so, shall be guilty of the crime of perjury and upon conviction thereof, shall be subject to the same punishment as is or may be provided by law for perjury.

Section 1504. Acceptance of Fee for Procuring Loan.—Any director, officer, attorney, or employe of an association who knowingly violates the provision of subsection (a) (1) of section 510 of this act shall be guilty of a misdemeanor, and shall, upon conviction thereof, be subject to a fine not exceeding a sum equal to three times the amount of the value of the property which he received as such fee, commission or gift. In addition he shall be disqualified from acting as an officer, director, attorney or employe of any association within this Commonwealth for a period of five years after the date of such conviction.

Section 1505. Dealings Between an Association and Its Directors, Officers, Employes and Attorneys.—Any officer, director, attorney or employe of an association who knowingly violates the provisions of either subsection (a) (2) or subsection (a) (3) of section 510 shall be guilty of a misdemeanor and shall upon conviction thereof, be subject to imprisonment not exceeding one year, or a fine not exceeding one thousand dollars (\$1,000), or both. He shall also be subject to a further fine equal to any profit which he shall have made upon the transaction.

Section 1506. Failure to Keep Proper Accounts.—Any director, officer or employe of an association who knowingly violates the provisions of section 110 of this act shall be guilty of a misdemeanor and shall upon conviction thereof be subject to imprisonment not exceeding one year or ¹ a fine not exceeding one thousand dollars (\$1,000), or both.

Section 1507. Repledging of Collateral.—Any officer, director or employe of an association who knowingly violates section 112 of this act shall be guilty of a misdemeanor and shall upon conviction thereof be subject to imprisonment not exceeding one year or a fine not exceeding one thousand dollars (\$1,000), or both.

Section 1508. Prohibition of Promoter's Fees.—Any incorporator, officer, director or employe who knowingly violates section 202 (a) of this act shall be guilty of a misdemeanor and shall upon conviction thereof be subject to imprisonment not exceeding one year or a fine not exceeding one thousand dollars (\$1,000), or both.

Section 1509. Transacting Business Before Certificate of Authorization Issued.—Any officer or director of an association who knowingly violates section 209 (a) of this act shall be guilty of a misdemeanor and shall upon conviction thereof be subject to imprisonment not exceeding one year or a fine not exceeding one thousand dollars (\$1,000), or both.

Section 1510. Relationship of Savings Associations and Their Personnel with Officials and Employes of the Department.—Any director, officer, attorney or employe of an association, or the Secretary of Banking, or any employe, or any official of the department who knowingly violates the provisions of either subsection (a) or subsection (b) of section 1402 shall be guilty of a misdemeanor and shall upon conviction thereof, be subject to imprisonment not exceeding one year or a fine not exceeding one thousand dollars (\$1,000), or both.

ARTICLE XVI

Effective Date and Repealers

Section 1601. Effective Date.—This act shall take effect in one hundred eighty days.

Section 1602. Specific Repeals.—(a) The following acts and all amendments thereof are hereby repealed absolutely.

The act of May 5, 1933 (P. L. 457), known as the "Building and Loan Code."

The act of June 24, 1939 (P. L. 746), entitled "An act authorizing Federal savings and loan associations to issue share accounts in the name of certain minors and in the joint names of two or more persons, and validating the ² acquittances of such minors and validating

¹ "a" not in original.

² "acquaintances" in original.

the ¹acquittances of either person in a joint account, under certain conditions; and outlining the procedure for the payment of share accounts issued in the name of a trustee following the death of the trustee."

(b) The following parts of acts are hereby repealed to the extent specified:

² Sections 301, 401A, 402B, 501A, 501B, 501C, 503A, 503C and 1011B of the act of May 15, 1933 (P. L. 565), known as the "Department of Banking Code," as applicable to ³savings associations, savings and loan associations and building and loan associations.

Section 1603. General Repeal.—All other acts and parts of acts inconsistent with the provisions of this act are hereby repealed.

Section 1604. ⁴Transition Provisions.—(a) Transactions and proceedings commenced under or pursuant to statutes repealed by this act shall be terminated, completed or enforced pursuant to the provisions of such statutes which for such purpose shall remain in full force and effect as to such transactions and proceedings.

(b) Any agreement, transaction or relationship which was valid immediately prior to the effective date of this act and which continues after the effective date of this act shall remain valid although not in compliance with the provisions of this act, except that any affirmative action required by this act which may be legally taken in connection with such agreement, transaction or relationship shall be taken within such reasonable time after the effective date of this act as may be fixed by the department unless the requirement of such action would impair any vested right.

APPROVED—The 14th day of December, A. D. 1967.

RAYMOND P. SHAFER

No. 346

AN ACT

HB 1479

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," increasing the fee for inspection certificates and changing the inspection periods.

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

¹ "acquaintances" in original.

² "Section" in original.

³ "saving" in original.

⁴ "Transaction" in original.