

No. 148

AN ACT

HB 1046

Amending the act of December 14, 1967 (P.L.746), entitled "An act 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," authorizing increased percentage of fair market value of loans and percentage of loans under regulations of the department, increasing the percentage of loans and changing the period in which loans must be repaid on developed building lots or sites, authorizing such loans as specified in Industrial Development Authority Law, authorizing mortgages to be written on other than a monthly direct reduction loan basis under regulations of the department, extending the period for the payment of the first monthly payment on construction loans, increasing the percentage of loans which may be made without provision for monthly amortization, granting to the department the right to increase the percentage of assets which an association may invest in service corporations.

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

Section 1. Clause (c) of section 903, act of December 14, 1967 (P.L.746), known as the "Savings Association Code of 1967," is amended to read:

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:

* * *

(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]**

* * *

Section 2. Section 903 of the act is amended by adding a clause to read:

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:

* * *

(e) Loans in excess of the percentage herein authorized may be made on one family residential properties in such amounts and in such percentages and on such conditions as the department may by regulation authorize.

Section 3. Sections 904 and 905 of the act are amended to read:

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. *The department may by regulation authorize loans in excess of seventy-five percent of the fair market value on any or all of the aforescribed properties.*

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

Section 4. Section 908 of the act is amended by adding a subsection to read:

Section 908. **Development Loans.**—* * *

(d) Notwithstanding the provisions of subsections (a) and (b) of this section an association may lend to an individual on the security of a developed building lot or site designed for the erection of his permanent one family residence, without any requirement for the commencement of construction, not in excess of seventy-five percent of the fair market value, provided the security document shall require the borrower to repay the loan in a period not longer than five years and shall require equal monthly payments throughout said five-year period sufficient to result in an amortization of not less than forty percent of the principal amount of the loan at the expiration of five years.

Section 5. Section 912 of the act is amended to read:

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 *and as authorized or permitted by the act of August 23, 1967 (P.L.251), known as the "Industrial Development Authority Law."*

Section 6. Subsections (a), (b) and (c) of section 915 of the act, subsections (a) and (c) amended August 1, 1969 (P.L.208), are amended to read:

Section 915. **Terms of Mortgage.**—[All mortgages shall be written] *Mortgages other than those set forth in subsections (c), (d), (e) and (f) of*

this section shall be written on such basis as the department may by regulation authorize or 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 twenty-four months after the date of the first advance made on the loan. *Notwithstanding the foregoing the department may by regulations extend the first monthly payment date on construction loans to a period later than twenty-four months if the construction loan meets the requirements of the regulations of the department.*

(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] *sixty-six and two-thirds* 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 twenty-four months without requiring amortization during said twenty-four 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 twenty-four months without amortization but interest shall be payable not less frequently than semi-annually. *Notwithstanding the foregoing the department may by regulations extend the first monthly payment date on construction loans to a period later than twenty-four months if the construction loan meets the requirements of the regulations of the department.*

* * *

Section 7. Clauses (h) and (n) of section 922 of the act are amended to read:

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

* * *

(h) In shares, bonds or notes of any State or regional business development credit corporation formed under the laws of this Commonwealth, *or in bonds, notes or any other obligation authorized or permitted by the act of August 23, 1967 (P.L.251), known as the "Industrial Development Authority Law,"*

* * *

(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.]** *An association may make investments in service corporations up to one percent of its assets plus such additional percentage of assets as the department may by regulation authorize,*

* * *

Section 8. This act shall take effect immediately.

APPROVED—The 1st day of December, A. D. 1971.

MILTON J. SHAPP

The foregoing is a true and correct copy of Act of the General Assembly No. 148.



Secretary of the Commonwealth.