

No. 1978-263

AN ACT

HB 2392

Amending the act of December 14, 1967 (P.L.746, No.345), 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," providing for alternate mortgage forms.

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

Section 1. Section 915, act of December 14, 1967 (P.L.746, No.345), known as the "Savings Association Code of 1967," amended December 1, 1971 (P.L.572, No.148) and December 27, 1974 (P.L.1012, No.329), is amended to read:

Section 915. Terms of Mortgage.—Mortgages other than those set forth in subsections (c), (d), (e) and (f) of this section shall be written on such basis *and in such aggregate amounts* 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 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.

(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 five 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 ***and variable interest rate loans may be made as authorized by the act of January 30, 1974 (P.L.13, No.6), referred to as the Loan Interest and Protection Law, or any other statute: Provided, That any applicant to whom a variable interest rate mortgage is offered is also offered a direct reduction loan at reasonably competitive terms and rate, and that any association offering variable interest rate loans which ceases to offer such loans shall be prohibited from again offering variable interest rate loans for a period of seven years from the date of making its last variable interest rate loan,***

(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 repay a residential mortgage as defined in the act of January 30, 1974 (No.6) without the payment of any prepayment penalty or other charge for such prepayment at any time before the end of the period of the loan. On all other loans such limitations on prepayment and prepayment penalties and charges may be made and changed as are provided in the loan contract.

(h) Mortgages may be written to permit the nonpayment of one month's principal and interest payment not more frequently than one time in a calendar year and not in total more than five times. Any obligation not met by such skip payments shall remain mortgagor's obligation.

(i) Any mortgage authorized by this act and required to be repaid on a direct reduction loan basis may be written on a monthly payment basis with reduced monthly payments during the first twenty-five percent of the total number of years for which the mortgage is written. Thereafter the mortgage shall be paid on a direct reduction basis.

(j) Mortgages may be written providing for advances of the principal periodically over a period of years. Interest shall be payable at the date of said periodic payments. Repayment of the mortgage shall be made on a not longer than ten year direct reduction basis commencing not later than three months after the date of the last payout of principal. The total of all

advances under the mortgage shall constitute a lien on the real estate described in the mortgage from the date of the recording of the mortgage.

Section 2. This act shall take effect immediately.

APPROVED—The 5th day of October, A. D. 1978.

MILTON J. SHAPP