

## THE GENERAL ASSEMBLY OF PENNSYLVANIA

## HOUSE BILL

No. 2392 Session of  
1978

INTRODUCED BY MESSRS. BENNETT, IRVIS, MANDERINO, L. E. SMITH,  
RYAN, FEE, GALLEN, PRATT, SPENCER, MILLIRON, RAVENSTAHL,  
LETTERMAN, DeVERTER, SCHEAFFER, KOWALYSHYN, McCALL,, TENAGLIO,  
LIVENGOD, O'KEEFE, HALVERSON, ARTHURS AND GRIECO,  
APRIL 18, 1978

AS REPORTED FROM COMMITTEE ON BUSINESS AND COMMERCE, HOUSE OF  
REPRESENTATIVES, AS AMENDED, MAY 31, 1978

## AN ACT

1 Amending the act of December 14, 1967 (P.L.746, No.345),  
2 entitled "An act relating to and regulating the business of  
3 savings associations heretofore designated under other acts  
4 and special charters variously as building and loan  
5 associations and savings and loan associations; defining the  
6 rights, powers, duties, liabilities, and immunities of such  
7 associations; affecting persons engaged in the business of  
8 savings associations; affecting the members, account holders  
9 and borrowers of such associations; affecting Federal savings  
10 and loan associations whose principal office is located in  
11 the Commonwealth; prohibiting the transaction of business in  
12 this Commonwealth by foreign savings associations; conferring  
13 powers and imposing duties on certain departments and  
14 officers of the Commonwealth and on the courts, recorders of  
15 deeds; creating a Savings Association Board and defining its  
16 powers and duties; prohibiting certain actions and imposing  
17 penalties, and repealing certain acts," providing for  
18 alternate mortgage forms.

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

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

1 Section 915. Terms of Mortgage.--Mortgages other than those  
2 set forth in subsections (c), (d), (e) and (f) of this section  
3 shall be written on such basis and in such aggregate amounts as  
4 the department may by regulation authorize or on a monthly  
5 direct reduction loan basis and the contract shall provide that  
6 the first monthly payment shall be made not later than sixty  
7 days after the advance of the loan, provided however:

8 (a) If a direct reduction loan is to finance new  
9 construction the first monthly payment may be postponed to a  
10 date not later than twenty-four months after the date of the  
11 first advance made on the loan. Notwithstanding the foregoing  
12 the department may by regulations extend the first monthly  
13 payment date on construction loans to a period later than  
14 twenty-four months if the construction loan meets the  
15 requirements of the regulations of the department.

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

24 (c) If the loan is made for the purpose of financing new  
25 construction of a one to four family residential property and is  
26 in an amount not to exceed eighty percent of the fair market  
27 value thereof it may be made for a term not exceeding twenty-  
28 four months without requiring amortization during said twenty-  
29 four months. Interest shall be payable not less frequently than  
30 semi-annually. If the loan is for the purpose of financing

1 construction of residential property designed for use by more  
2 than four families and in an amount not exceeding seventy-five  
3 percent of the fair market value it may be made for a period not  
4 exceeding twenty-four months without amortization but interest  
5 shall be payable not less frequently than semi-annually.  
6 Notwithstanding the foregoing the department may by regulations  
7 extend the first monthly payment date on construction loans to a  
8 period later than twenty-four months if the construction loan  
9 meets the requirements of the regulations of the department.

10 (d) If the loan is made for the purpose of facilitating the  
11 trade-in or exchange of residential real property a substantial  
12 portion of which is used as a dwelling for not more than four  
13 families and does not exceed eighty percent of the fair market  
14 value of the property it may be made for a term not exceeding  
15 eighteen months without amortization but interest shall be  
16 payable not less frequently than semi-annually.

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

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

24 (g) Interest; premiums and charges:

25 (1) Loans may be made at any rate of interest not exceeding  
26 the legal rate and variable interest rate loans may be made as  
27 authorized by the act of January 30, 1974 (P.L.13, No.6),  
28 referred to as the Loan Interest and Protection Law, or any  
29 other statute: PROVIDED, THAT ANY APPLICANT TO WHOM A VARIABLE  
30 INTEREST RATE MORTGAGE IS OFFERED IS ALSO OFFERED A DIRECT

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1 REDUCTION LOAN AT REASONABLY COMPETITIVE TERMS AND RATE, AND  
2 THAT ANY ASSOCIATION OFFERING VARIABLE INTEREST RATE LOANS WHICH  
3 CEASES TO OFFER SUCH LOANS SHALL BE PROHIBITED FROM AGAIN  
4 OFFERING VARIABLE INTEREST RATE LOANS FOR A PERIOD OF SEVEN  
5 YEARS FROM THE DATE OF MAKING ITS LAST VARIABLE INTEREST RATE  
6 LOAN,

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

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

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

29       (5) An association may levy a reasonable charge upon any  
30 corporation or person applying for a mortgage loan for its

1 services in making searches of title and appraising the real  
2 property offered to the association as security, in drawing any  
3 papers incident to the loan for which such real property is  
4 given as security, and in taking any other action permitted or  
5 required by law with respect to such loan, including the  
6 reducing of the amount of the loan, extending its maturity or  
7 otherwise readjusting or refinancing it, releasing any portion  
8 of the security and for any other action by the association  
9 permitted or required by law with respect to such loans,

10 (6) An association may impose a late charge upon all  
11 borrowers who do not make payment on the date specified. Such  
12 late charge may be imposed each month on the amount of the  
13 payment which was not paid on the due date,

14 (7) Borrowers shall have the right to repay a residential  
15 mortgage as defined in the act of January 30, 1974 (No.6)  
16 without the payment of any prepayment penalty or other charge  
17 for such prepayment at any time before the end of the period of  
18 the loan. On all other loans such limitations on prepayment and  
19 prepayment penalties and charges may be made and changed as are  
20 provided in the loan contract.

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

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

1 on a direct ~~reductive~~ REDUCTION basis.

2     (j) Mortgages may be written providing for advances of the  
3 principal periodically over a period of years. Interest shall be  
4 payable at the date of said periodic payments. Repayment of the  
5 mortgage shall be made on a not longer than ten year direct  
6 reduction basis commencing not later than three months after the  
7 date of the last payout of principal. The total of all advances  
8 under the mortgage shall constitute a lien on the real estate  
9 described in the mortgage from the date of the recording of the  
10 mortgage.

11     Section 2. This act shall take effect immediately.