

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL
No. 1805 Session of
1979

INTRODUCED BY MESSRS. L. E. SMITH, BENNETT, GRIECO, SPENCER,
ZWIKL, LIVENGOD, McCALL AND DOMBROWSKI, OCTOBER 2, 1979

SENATOR MESSINGER, BUSINESS AND COMMERCE, IN SENATE, AS AMENDED,
FEBRUARY 11, 1980

AN ACT

1 Amending the act of November 30, 1965 (P.L.847, No.356),
2 entitled "An act relating to and regulating the business of
3 banking and the exercise by corporations of fiduciary powers;
4 affecting persons engaged in the business of banking and
5 corporations exercising fiduciary powers and affiliates of
6 such persons; affecting the shareholders of such persons and
7 the directors, trustees, officers, attorneys and employes of
8 such persons and of the affiliates of such persons; affecting
9 national banks located in the Commonwealth; affecting persons
10 dealing with persons engaged in the business of banking,
11 corporations exercising fiduciary powers and national banks;
12 conferring powers and imposing duties on the Banking Board,
13 on certain departments and officers of the Commonwealth and
14 on courts, prothonotaries, clerks and recorders of deeds;
15 providing penalties; and repealing certain acts and parts of
16 acts," further providing for variable rate and alternative
17 type mortgages, additional means of appraisal, secondary
18 mortgages, clarification of late charges and ~~exemption from~~ <—
19 DELETION OF equal payment requirements; PROVIDING FOR <—
20 INTEREST RATES RELATED TO THE DISCOUNT RATE OF THE FEDERAL
21 RESERVE BANKS; elimination of reference to Employees' Mutual
22 Banking Association; increased reserves on deposits of mutual
23 savings banks; authority to charge interest on fifteen day
24 grace period of loan; expansion of authority to own treasury
25 stock; and revising restrictions on officer and employe
26 loans.

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

1 Section 1. Clause (n) of section 102, act of November 30,
2 1965 (P.L.847, No.356), known as the "Banking Code of 1965," is
3 repealed.

4 Section 2. Clauses (r) and (t) of section 102, subsection
5 (a) of section 106 and subsections (a) and (d) of section 107 of
6 the act are amended to read:

7 Section 102. Definitions

8 Subject to additional definitions contained in subsequent
9 chapters of this act which are applicable to specific chapters
10 or sections thereof, the following words and phrases when used
11 in this act shall have, unless the context clearly indicates
12 otherwise, the meanings given to them in this section:

13 * * *

14 (r) "Institution"--an incorporated institution or a private
15 bank [or an employes' mutual banking association], except where
16 the definition of the word stated at the beginning of the
17 chapter in which it is used either gives a less-inclusive
18 meaning to the word or specifically includes a national bank.

19 * * *

20 (t) "Private bank"--an individual, partnership or
21 unincorporated association [(other than an employes' mutual
22 banking association)] authorized as a private bank under the
23 Banking Code of 1933 to engage in the business of banking in
24 this Commonwealth on the effective date of this act and an
25 individual, partnership or unincorporated association which
26 receives authority, pursuant to this act, to continue in the
27 business of banking as a private bank.

28 * * *

29 Section 106. Corporations Authorized to Act as Fiduciary

30 (a) Restriction of domestic corporations--No corporation

1 existing under the laws of this Commonwealth may lawfully act as
2 fiduciary except:

3 (i) a bank and trust company, a trust company and, to the
4 extent provided in this act, a savings bank,

5 (ii) a non-profit corporation,

6 (iii) an incorporated institution or other corporation,
7 to the extent that it executes a trust for its own use, or
8 for the benefit of its own employees or for a purpose in
9 connection with its business,

10 (iv) a corporation to the extent it engages in
11 liquidating and winding-up the business and affairs of
12 another corporation, other than an incorporated institution,
13 for the benefit of the creditors and shareholders of such
14 other corporation, and

15 (v) an association to the extent it acts as a trustee, as
16 authorized by the [Building and Loan Code] act of December
17 14, 1967 (P.L.746, No.345), known as the "Savings Association
18 Code of 1967," under a trust plan or instrument which
19 satisfies the requirements of the Self-employed Individuals
20 Tax Retirement Act.

21 * * *

22 Section 107. Accounting Rules; Accounting and Bookkeeping
23 Services

24 (a) Accounting basis--An institution may maintain its books
25 of account on a cash or accrual basis, as determined by its
26 board of directors or trustees in the case of an incorporated
27 institution[, an employees' mutual banking association] and a
28 private bank which has such a board and by the owner or partners
29 in the case of any other private bank.

30 * * *

1 (d) Accounting and bookkeeping service agreements--[An]
2 Whenever an institution may [not] cause to be performed, by
3 contract or otherwise accounting or bookkeeping services for
4 itself, whether on or off its premises, [unless assurances
5 satisfactory to the department are furnished to the department
6 by both the institution and the person performing such services
7 that] the performance thereof will be subject to regulation and
8 examination by the department to the same extent as if such
9 services were being performed by the institution itself on its
10 own premises. The institution shall notify the department of the
11 existence of a service relationship within thirty days after the
12 making of such service contract or the performance of the
13 service, whichever occurs first. For the purpose of this
14 subsection (d), "services" shall mean clerical, bookkeeping,
15 accounting, statistical and other functions of the type covered
16 by the Bank Service Corporation Act.

17 * * *

18 Section 3. Subsection (c) of section 309 of the act, amended
19 July 30, 1975 (P.L.108, No.56), is amended to read:

20 Section 309. Installment Loans (Including Revolving Credit
21 Plans)

22 * * *

23 (c) Term--The term within which all loans which at any time
24 have been made under a revolving credit plan shall become due
25 shall be ten years from the date of the last loan made under the
26 plan. The term of any other installment loan shall be a period
27 not in excess of [one hundred nineteen months] one hundred
28 twenty months and fifteen days calculated from the [payment date
29 of] time of making the loan. [the] The first installment [which]
30 shall be scheduled no longer than forty-five days after the time

1 of making the loan. The aggregate period for which the final
2 maturity of any loan may be extended shall be six months.

3 * * *

4 Section 4. Subsections (a), (d) and (e) of section 310 of
5 the act, subsections (a) and (e) amended September 27, 1973
6 (P.L.251, No.72), and subsection (d) amended November 27, 1968
7 (P.L.1104, No.345), are amended and section 310 is amended by
8 adding subsections to read:

9 Section 310. Real Estate Loans

10 (a) Permissible loans; maximum amount and term--An
11 institution may, subject to the requirements of this section,
12 make or acquire a loan secured by a lien on real estate
13 (including a lease-hold) located in any state or the District of
14 Columbia, in a dependency or insular possession of the United
15 States or in the Commonwealth of Puerto Rico, in an amount and
16 for a term not to exceed:

17 (i) in the case of improved real estate, including farm
18 land:

19 (A) two-thirds of the value for ten years, if
20 unamortized, or

21 (B) four-fifths of the value for thirty years, if the
22 terms of the loan require [substantially equal] payments <—
23 [at successive intervals of not more than one year each <—
24 and] in an amount sufficient to pay all principal of and <—
25 interest on the loan within the term of the loan[, except <—
26 that ~~a loan to a commercial or industrial borrower is~~ <—
27 ~~exempted from the requirement of substantially equal~~
28 ~~payments and~~ the date of the initial payment on a loan to
29 ~~fa commercial or industrial--such~~ borrower may be <—
30 deferred for a period not in excess of three years from

the date of the loan]; or

(C) ninety percent of the value of a one family residential property for thirty years, in an amount not to exceed forty thousand dollars (\$40,000), or such larger amount as the department may permit by regulation, subject to the same requirements set forth in clause (B); or

(D) ninety-five percent of the value for thirty years, if that principal portion of the loan in excess of seventy-five percent of the value is made in reliance upon a private company mortgage insurance or guarantee acceptable to the Department of Banking, subject to the same requirements set forth in clause (B); or

(ii) in the case of unimproved real estate to be acquired or developed with the proceeds of the loan:

(A) two-thirds of the value for three years, or

(B) three-fourths of the value for five years, when utilities, roads or streets necessary for the development of such real estate have been completed.

* * *

(d) Requirements in connection with loans--The requirements for a loan subject to this section shall be:

(i) the loan shall be evidenced by a bond, note or other obligation and the lien securing such loan shall be obtained by a mortgage, deed of trust or judgment;

(ii) the lien shall be a first lien (except for a lien of taxes, assessments or charges which are not yet due or which are payable without penalty) unless all prior liens are held by the institution and the aggregate of all loans by the institution secured by liens on the real estate satisfy all

1 other requirements of this section pertaining to such loans;

2 (iii) the value of the real estate shall be determined
3 either by a real estate appraiser qualified in the state
4 where the real estate is located who shall inspect the real
5 estate and state its value to the best of his judgment in a
6 written report signed by him which must be preserved in the
7 records of the institution or in the alternative by an
8 appraisal signed by two reputable persons who shall:

9 (A) be directors of the institution or selected in a
10 manner authorized by the directors,

11 (B) be familiar with real estate values in the
12 vicinity where the real estate is located, and

13 (C) inspect the real estate and state its value to
14 the best of their judgment in a written report which must
15 be preserved in the records of the institution. In the
16 event the appraisers arrive at different conclusions as
17 to the value of the real estate, it shall be permissible
18 to use the average of their two appraisals to determine
19 the value of the real estate: Provided, however, That
20 each valuation is stated in the report;

21 (iv) Insurance against loss from fire on all buildings on
22 the real estate which are included in the appraised value,
23 issued by insurers acceptable to the institution and
24 authorized to do business where the real estate is located
25 and in form and amount satisfactory to the institution, shall
26 be maintained during the term of the loan by or at the
27 expense of the borrower, except that the institution may at
28 its own expense maintain such insurance covering only its
29 interest as lender; and

30 (v) the borrower shall pay all expenses in connection

1 with the loan for title insurance, searches and certificates,
2 appraisal fees and fees for preparation and recording of
3 documents.

4 (vi) an institution may make a single delinquency charge
5 for each payment in arrears for a period of more than fifteen
6 days other than by reason of acceleration or by reason of a
7 delinquency on a prior payment.

8 (e) Excepted loans--The restrictions and requirements of this
9 section shall not apply to:

10 (i) a loan guaranteed at least to the extent of twenty
11 percent thereof, or for which a written commitment for such
12 guarantee has been issued, by the Veterans Administration
13 pursuant to the Veterans' Benefits Act:

14 (ii) a loan insured, or for which a written commitment to
15 insure has been issued, pursuant to national housing
16 legislation;

17 (iii) a loan insured, or for which a written commitment
18 to insure has been issued, by the Farmers Home Administration
19 pursuant to the Consolidated Farmers Home Administration Act;

20 (iv) a loan made pursuant to the Small Business Act;

21 (v) an investment security acquired pursuant to section
22 307; or

23 (vi) a loan in connection with which the institution
24 takes a real estate lien as security in the exercise of
25 banking prudence but as to which it is relying for repayment
26 on:

27 (A) the general credit of the obligor or of an
28 installment buyer or of a lessee of the real estate,

29 (B) collateral other than the real estate lien,

30 (C) a guaranty, or an agreement to take over or

1 purchase the loan in the event of default, by a
2 financially responsible person other than a person
3 engaged in the business of guaranteeing real estate
4 loans, or

5 (D) an agreement by a financially responsible person
6 to take over or purchase the loan, or to provide funds
7 for payment thereof, within a period of five years from
8 the date of the loan
9 and there is a certificate of reliance setting forth the
10 applicable facts.

11 (vii) loans made pursuant to any secondary mortgage law
12 of the Commonwealth. ~~except that subsection (i) of this~~ <—
13 ~~section shall apply to such loans.~~

14 * * *

15 (f.1) Variable interest rate loans--The requirements with
16 respect to payments under subsection (a)(i) of this section
17 shall not be applicable in the case of a variable interest rate
18 loan permitted by the act of January 30, 1974 (P.L.13, No.6),
19 referred to as the Loan Interest and Protection Law.

20 (f.2) Alternative payment terms--An institution may permit
21 exceptions to the requirements as to time and amount of payments
22 applicable under subsection (a)(i) as to:

23 (i) one payment in a calendar year and an aggregate of
24 five payments during the term of the loan, the aggregate
25 amount of which shall be added either to other regular
26 payments or to the final payment of the loan; or

27 (ii) a difference in the amount of substantially equal
28 payments at the intervals occurring during the first one-
29 quarter of the total term of the loan from the amount of
30 substantially equal payments at the intervals occurring

1 during the remainder of the term; or

2 (iii) in a case in which the principal amount of the
3 loan is distributed periodically to the borrower, a
4 requirement of payment of interest only from the dates of
5 such distributions of the principal amount and a requirement
6 for the payment of principal and interest, commencing not
7 ~~less~~ MORE than three months after the last distribution, in <—
8 substantially equal payments at successive intervals of not
9 more than one year each and sufficient to pay all principal
10 of and interest on the loan within ten years after the date
11 of commencement of such payments.

12 * * *

13 SECTION 5. THE ACT IS AMENDED BY ADDING A SECTION TO READ: <—

14 SECTION 318. ALTERNATE BASIS FOR INTEREST CHARGES BY
15 INSTITUTIONS.

16 AN INSTITUTION MAY MAKE A CHARGE FOR A LOAN AT A RATE, FOR
17 THE TERM OF THE LOAN, NOT IN EXCESS OF THE DISCOUNT RATE IN
18 EFFECT, AT THE TIME THE LOAN IS MADE, AT THE FEDERAL RESERVE
19 BANK OF THE FEDERAL RESERVE DISTRICT IN WHICH THE INSTITUTION IS
20 LOCATED PLUS FIVE PERCENT. THE BASIS FOR CHARGING INTEREST UNDER
21 THIS SECTION IS AN OPTIONAL ALTERNATIVE TO OTHER PROVISIONS OF
22 THIS ACT AND OTHER STATUTES AUTHORIZING RATES OF INTEREST OR
23 CHARGES FOR CREDIT AND IS NOT LIMITED BY ANY OF SUCH OTHER
24 PROVISIONS.

25 Section ~~5~~ 6. Subsections (a), (d) and (e) of section 505 of <—
26 the act, subsections (a) and (e) amended September 27, 1973
27 (P.L.251, No.72), and clause (iii) of subsection (d) amended
28 November 27, 1968 (P.L.1104, No.345), are amended and section
29 505 is amended by adding subsections to read:

30 Section 505. Real Estate Loans

1 (a) Permissible loans; maximum amount and term--A savings
2 bank may, subject to the requirements of this section, make or
3 acquire a loan secured by a lien on real estate (including a
4 leasehold) located in any state or the District of Columbia, in
5 a dependency or insular possession of the United States or in
6 the Commonwealth of Puerto Rico, in an amount and for a term not
7 to exceed:

8 (i) in the case of improved real estate, including farm
9 land:

10 (A) two-thirds of the value for ten years, if
11 unamortized; or

12 (B) four-fifths of the value for thirty years, if the
13 terms of the loan require payments [which are <—
14 substantially equal except for the last payment at
15 successive intervals of not more than one year each and] <—
16 in an amount sufficient to pay all principal of and
17 interest on the loan within [thirty years, except that a <—
18 ~~loan to a commercial or industrial borrower is exempted~~
19 ~~from the requirement of substantially equal payments and~~
20 the date of the initial payment on a loan to fa <—
21 commercial or industrial]—such borrower may be deferred <—
22 for a period not in excess of three years from the date
23 of the loan] THE TERM OF THE LOAN; or <—

24 (C) ninety percent of the value of a one family
25 residential property for thirty years, in an amount not
26 to exceed forty thousand dollars (\$40,000), unless the
27 department by regulation approves the granting of loans
28 under this subsection in greater amounts, subject to the
29 same requirements set forth in clause (B); or

30 (D) ninety-five percent of the value for thirty

1 years, if that portion of the loan in excess of seventy-
2 five percent of the value is made in reliance upon a
3 private company mortgage insurance or guarantee
4 acceptable to the Department of Banking, subject to the
5 same requirements set forth in clause (B); or

6 (ii) in the case of unimproved real estate to be acquired
7 or developed with the proceeds of the loan:

8 (A) two-thirds of the value for three years, or

9 (B) three-fourths of the value for five years, when
10 utilities, roads or streets necessary for the development
11 of such real estate have been completed.

12 * * *

13 (d) Requirements in connection with loans--The requirements
14 for a loan subject to this section shall be:

15 (i) the loan shall be evidenced by a bond, note or other
16 obligation and the lien securing such loan shall be obtained
17 by a mortgage, deed of trust or judgment;

18 (ii) the lien shall be a first lien (except for a lien of
19 taxes, assessments or charges which are not yet due or which
20 are payable without penalty) unless all prior liens are held
21 by the savings bank and the aggregate of all loans by the
22 savings bank secured by liens on the real estate satisfy all
23 other requirements of this section pertaining to such loans;

24 (iii) the value of the real estate shall be determined
25 either by a real estate appraiser qualified in the state
26 where the real estate is located who shall inspect the real
27 estate and state its value to the best of his judgment in a
28 written report signed by him which must be preserved in the
29 records of the institution, or in the alternative by an
30 appraisal signed by two reputable persons who shall:

1 (A) be trustees of the savings bank or selected in a
2 manner authorized by the trustees,

3 (B) be familiar with real estate values in the
4 vicinity where the real estate is located, and

5 (C) inspect the real estate and state its value to
6 the best of their judgment in a written report which must
7 be preserved in the records of the savings bank. In the
8 event the appraisers arrive at different conclusions as
9 to the value of the real estate, it shall be permissible
10 to use the average of their two appraisals to determine
11 the value of the real estate: Provided, however, That
12 each valuation is stated in the report.

13 (iv) insurance against loss from fire on all buildings on
14 the real estate which are included in the appraised value,
15 issued by insurers acceptable to the savings bank and
16 authorized to do business where the real estate is located
17 and in form and amount satisfactory to the savings bank,
18 shall be maintained during the term of the loan by or at the
19 expense of the borrower, except that the savings bank may at
20 its own expense maintain such insurance covering only its
21 interest as lender; and

22 (v) the borrower shall pay all expenses in connection
23 with the loan for title insurance, searches and certificates,
24 appraisal fees and fees for preparation and recording of
25 documents.

26 (vi) a savings bank may make a single delinquency charge
27 for each payment in arrears for a period of more than fifteen
28 days other than by reason of acceleration or by reason of a
29 delinquency on a prior payment.

30 (e) Excepted loans--The restrictions and requirements of this

1 section shall not apply to:

2 (i) a loan secured by a lien on a dwelling for not more
3 than four families, guaranteed at least to the extent of
4 twenty percent thereof, or for which a written commitment for
5 such guarantee has been issued, by the Veterans
6 Administration pursuant to the Veterans' Benefits Act,

7 (ii) a loan secured by a lien on business property,
8 guaranteed at least to the extent of one-third thereof, or
9 for which a written commitment for such guarantee has been
10 issued, by the Veterans Administration pursuant to the
11 Veterans' Benefits Act,

12 (iii) a loan insured, or for which a written commitment
13 to insure has been issued, pursuant to national housing
14 legislation,

15 (iv) a loan insured, or for which a written commitment to
16 insure has been issued, by the Farmers Home Administration
17 pursuant to the Consolidated Farmers Home Administration Act,

18 (v) an investment security, or

19 (vi) a loan which the savings bank is authorized to make
20 and in connection with which it takes a real estate lien as
21 security in the exercise of prudence but as to which it is
22 relying for repayment on:

23 (A) the general credit of the obligor or of an
24 installment buyer or of a lessee of the real estate,

25 (B) collateral other than the real estate lien,

26 (C) a guaranty, or an agreement to take over or
27 purchase the loan in the event of default, by a
28 financially responsible person other than a person
29 engaged in the business of guaranteeing real estate
30 loans, or

1 (D) an agreement by a financially responsible person
2 to take over or purchase the loan, or to provide funds
3 for payment thereof, within a period of five years from
4 the date of the loan
5 and there is a certificate of reliance setting forth the
6 applicable facts.

7 (vii) loans made pursuant to any secondary mortgage law
8 of the Commonwealth.

9 (f) Variable interest rate loans--The requirements with
10 respect to payments under subsection (a)(i) of this section
11 shall not be applicable in the case of a variable interest rate
12 loan permitted by the act of January 30, 1974 (P.L.13, No.6),
13 referred to as the Loan Interest and Protection Law.

14 (g) Alternative payment terms--A savings bank may permit
15 exceptions to the requirements as to time and amount of payments
16 applicable under subsection (a)(i) as to:

17 (i) one payment in a calendar year and an aggregate of
18 five payments during the term of the loan, the aggregate
19 amount of which shall be added either to other regular
20 payments or to the final payment of the loan; or

21 (ii) a difference in the amount of substantially equal
22 payments at the intervals occurring during the first one-
23 quarter of the total term of the loan from the amount of
24 substantially equal payments at the intervals occurring
25 during the remainder of the term; or

26 (iii) in a case in which the principal amount of the
27 loan is distributed periodically to the borrower, a
28 requirement of payment of interest only from the dates of
29 such distributions of the principal amount and a requirement
30 for the payment of principal and interest, commencing not

less MORE than three months after the last distribution, in
substantially equal payments at successive intervals of not
more than one year each and sufficient to pay all principal
of and interest on the loan within ten years after the date
of commencement of such payments: PROVIDED, THAT IN SUCH CASE
THE PRIORITY OF THE LIEN OF ANY DISTRIBUTION AND ALL OTHER
AMOUNTS SECURED BY THE MORTGAGE SHALL DATE FROM THE RECORDING
OF THE MORTGAGE WHETHER OR NOT THE MORTGAGEE WAS LEGALLY
OBLIGATED TO MAKE SUCH DISTRIBUTION OF PAYMENT.

Section ~~6~~ 7. Sections 601, 701 and 703 of the act are
amended to read:

Section 601. Application of Chapter

This chapter shall apply to, and the word "institution" in
this chapter shall mean:

(a) a bank, a bank and trust company, a savings bank, a
private bank[, an employees' mutual banking association] and, to
the extent permitted by applicable law, a national bank located
in this state--for the purpose of all of the provisions of this
chapter, and

(b) a trust company--for the purpose of the provisions of
this chapter concerning safe-deposit agreements and for the
purpose of section 610.

Section 701. Application of Chapter

This chapter shall apply to, and the word "institution" in
this chapter shall mean, a bank, a bank and trust company, a
savings bank and a private bank [and an employees' mutual banking
association].

Section 703. Requirement of Reserve Fund

(a) An institution which is not a member of the Federal
Reserve System shall maintain at all times a reserve fund in an

1 amount fixed by regulation of the department:

2 (i) in the case of a savings bank, in the same amount
3 fixed for demand deposits of other institutions for all
4 deposits of the savings bank subject to withdrawal by
5 negotiable or transferable instruments of withdrawal and not
6 in excess of six percent and not less than three percent of
7 the total of other deposits, and

8 (ii) in the case of any other institution, not in excess
9 of the aggregate of twenty-two percent of demand deposits and
10 six percent of other deposits and not less than the aggregate
11 of seven percent of demand deposits and three percent of
12 other deposits.

13 The amount of the required reserve for each day shall be
14 computed on the basis of average daily deposits covering such
15 bi-weekly or shorter periods as shall be fixed by regulation of
16 the department.

17 (b) An institution which is a member of the Federal Reserve
18 System shall maintain at all times a reserve fund in accordance
19 with the requirements applicable to a member bank under the laws
20 of the United States.

21 Section 7 8. Clause (vii) of subsection (a) of section 802 <—
22 of the act is repealed.

23 Section 8 9. Section 908 of the act, added October 5, 1978 <—
24 (P.L.1131, No.265), is amended to read:

25 Section 908. Branches Acquired from the Receiver of a Closed
26 Institution

27 Any institution or national bank whose principal place of
28 business is located in Pennsylvania may maintain as a branch any
29 office which it acquires from the secretary, or public body of
30 the United States, as receiver, in conjunction with an

1 assumption of deposit liabilities of a closed institution or
2 national bank whether in connection with a purchase of assets,
3 through a merger or consolidation or otherwise, without regard
4 to the location of the principal place of business of the
5 acquiring institution or national bank. A branch office so
6 acquired may be relocated within the same county but shall not
7 be moved to a new location in a contiguous county unless that
8 county is also contiguous to the county of the principal place
9 of business of the acquiring institution or national bank.

10 Section 9 10. Subsection (a) of section 1306 and section <—
11 1413 of the act are amended to read:

12 Section 1306. Redemption and Acquisition of Preferred Shares;

13 Statement of Reduction of Authorized Shares

14 (a) Unless otherwise provided in its articles, an institution
15 may by resolution of its board of directors and with the prior
16 approval of the department redeem or otherwise acquire preferred
17 shares if immediately after the redemption or other acquisition
18 surplus would be at [last] least equal to the amount of capital.
19 In determining whether or not to give its approval under this
20 subsection (a), the department shall give primary consideration
21 to the question whether or not, after the cancellation of the
22 preferred shares, the capital accounts of the institution would
23 be adequate to support its anticipated deposit volume. The
24 provisions of this section do not restrict or otherwise affect
25 the power of an institution with prior approval of the
26 department to purchase (subject to the requirements of this act
27 as to capital and surplus), hold and own its shares other than
28 preferred shares.

29 * * *

30 Section 1413. Prohibitions Applicable to Directors, Trustees,

1 Officers, Employees and Attorneys

2 (a) No director, trustee, officer, employee or attorney of an
3 institution or of an affiliate of the institution shall:

4 (i) receive anything of value for procuring or attempting
5 to procure any loan from or investment by the institution,

6 (ii) overdraw his deposit account in the institution,
7 except in accordance with an automatic system for transfer of
8 funds from another account or a written preauthorized
9 interest-bearing extension of credit that specifies a method
10 of repayment, or

11 (iii) purchase, or directly or indirectly be interested
12 in purchasing, from the institution for less than its face
13 value any promissory note or other evidence of indebtedness
14 issued by the institution.

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

17 Section ~~10~~ 11. Section 1415 of the act, subsection (b) <—
18 amended July 30, 1975 (P.L.108, No.56), is amended to read:

19 Section 1415. Loans to, and Agreements for the Payment of Money
20 of, Directors, Trustees and Executive
21 Officers [and Employees] of Institutions and
22 Affiliates

23 (a) Authorized transactions--An institution shall not grant
24 to a director, trustee or executive officer [or employee] a loan,
25 or acquire an agreement for the payment of money on which he is
26 liable, except one which either:

27 (i) has been approved by the prior affirmative vote, or
28 written consent filed with the secretary of the institution,
29 of a majority of all the directors or trustees or members of
30 an executive or other committee, other than a director or

1 member of a committee having a direct or indirect personal
2 interest in the transaction, or

3 (ii) is secured by deposits in the institution or cash
4 surrender value of life insurance in an amount equal to, or
5 by other collateral with a market value of at least twenty
6 percent more than, the amount of the loan or of the agreement
7 for the payment of money.

8 (b) Limitations as to [salaried] executive officers [or
9 employes] of the institution or an affiliate--An institution
10 shall not make a loan to [a salaried] an executive officer [or
11 employe] of the institution or of an affiliate of the
12 institution, or acquire an agreement for the payment of money on
13 which he is liable, in an amount in excess of ten thousand
14 dollars (\$10,000) exclusive of interest and charges, except one
15 which either:

16 (i) is secured by deposits in the institution or cash
17 surrender value of life insurance in an amount equal to, or
18 by other collateral with a market value of at least twenty
19 percent more than, the amount of the loan or agreement for
20 the payment of money,

21 (ii) is secured by a mortgage on the home of such
22 executive officer [or employe],

23 (iii) is guaranteed, or is one for which a written
24 commitment to guarantee has been made, by the Veterans
25 Administration pursuant to the Veterans' Benefits Act,

26 (iv) is insured, or is one for which a written
27 commitment to insure has been issued, pursuant to national
28 housing legislation, or

29 (v) is an extension of credit not at any time exceeding
30 [ten thousand dollars (\$10,000)] twenty thousand dollars

1 institution" in this chapter shall mean,) a private bank [and an
2 employees' mutual banking association].

3 Section 1902. Continuation of and Changes in Existing Private
4 Banks [and Employees' Mutual Banking
5 Associations]

6 (a) Continuation--Any individual or partnership lawfully
7 engaged upon the effective date of this act in conducting the
8 business of a private bank[, and any unincorporated association
9 so engaged in conducting the business of an employees' mutual
10 banking association,] may continue to do so but no new private
11 bank [or employees' mutual banking association] shall hereafter
12 be established.

13 (b) Admission of new partners in a private bank--A
14 partnership which owns and operates a private bank may admit a
15 new partner, and an individual private banker may form a
16 partnership for conducting the private bank with one or more
17 other individuals, but if any new partner is a limited partner,
18 or if he takes part in the conduct of the business of the
19 private bank, it shall procure a new certificate of
20 authorization.

21 (c) Death or withdrawal of partner in a private bank--Neither
22 the death nor withdrawal of a partner in a private bank shall
23 change its status if one or more of the remaining partners elect
24 to continue its business and assume all of its obligations, but
25 if the deceased or withdrawing partner had taken part in the
26 conduct of the business or if its net worth is reduced as a
27 result of such death or withdrawal the private bank shall
28 procure a new certificate of authorization.

29 (d) Death of individual private banker--In case of the death
30 of a private banker who had conducted a private bank

1 individually, his personal representative shall forthwith
2 liquidate the private bank following the order of distribution
3 established by section 1809, unless the department shall take
4 possession of the private bank and the Secretary of Banking, as
5 receiver, shall liquidate it. If the personal representative
6 shall not begin or continue the liquidation promptly and in a
7 reasonable manner the department shall take possession from the
8 personal representative and the secretary shall liquidate the
9 private bank.

10 [(e) Changes in employees' mutual banking associations--An
11 employees' mutual banking association may admit new members in
12 the manner set forth in its articles of association or by-laws.
13 Neither the death nor withdrawal of a member shall affect the
14 status of the association, except that in case of the death or
15 withdrawal of all of the members of the association, the
16 department shall take possession of the association and the
17 Secretary of Banking shall liquidate it.]

18 Section ~~12~~ 13. Section 1909 of the act is repealed. <—

19 Section ~~13~~ 14. Sections 1910, 1911, 1912 and 1914 of the act <—
20 are amended to read:

21 Section 1910. Directors, Officers, Employees and Attorneys of
22 [Unincorporated Institutions] Private Banks

23 (a) Board--The business and affairs of a private bank may
24 be[, and those of an employees' mutual banking association shall
25 be,] managed by a board of directors. The partnership
26 agreement[, the articles of association] or the by-laws of such
27 [unincorporated institution] private bank may grant the board of
28 directors such powers, prescribe such procedures, and impose
29 such restrictions and limitations upon the board [and upon the
30 individual members thereof] as the partners in the private bank

1 [or the members of the association] may agree upon with respect
2 to all matters that are dealt with as to incorporated
3 institutions by chapter 14 of the act or which are normally
4 provided for by the articles or by-laws of an incorporated
5 institution.

6 (b) Officers--[An unincorporated institution] A private bank
7 may have such officers, who shall have such functions and
8 authority, as may be specified in its partnership agreement [or
9 articles of association] or by-laws.

10 (c) Bonds--Each officer and employe of [an unincorporated
11 institution] a private bank and any director who is authorized
12 to handle money or negotiable assets shall be bonded, and the
13 [unincorporated institution] private bank shall pay the cost of
14 such bond. The form, amount and surety of such bonds shall be
15 such as is approved by the governing body of the [unincorporated
16 institution] private bank but the department may require an
17 additional amount or new or additional surety.

18 (d) Responsibility of directors and officers--Directors and
19 officers of [an unincorporated institution] a private bank shall
20 discharge the duties of their respective positions in good faith
21 and with that diligence, care and skill which ordinarily prudent
22 men would exercise under similar circumstances in like
23 positions.

24 Section 1911. Recording Powers of Attorney

25 [An unincorporated institution] A private bank shall, in the
26 manner provided by section 1412 of this act with respect to
27 incorporated institutions, designate the individual or
28 individuals who are authorized to make entries of record
29 affecting mortgages.

30 Section 1912. Prohibitions Applicable to Directors, Trustees,

Officers, Employees and Attorneys

(a) No director, trustee, officer, employee or attorney of [an unincorporated institution] a private bank or of an affiliate of the [institution] private bank shall:

(i) receive anything of value for procuring or attempting to procure any loan from or investment by the [institution] private bank,

(ii) overdraw his deposit account in the [institution] private bank, or

(iii) purchase,, or directly or indirectly be interested in the purchase, from the [institution] private bank for less than its face value of any promissory note or other evidence of indebtedness issued by the [institution] private bank.

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

Section 1914. Voluntary Dissolution of Private Bank [or Employees' Mutual Banking Association]

(a) Plan of dissolution--[An unincorporated institution] A private bank may elect to dissolve voluntarily upon:

(i) adoption by an individual private banker or the partners in a private bank[, or by at least two-thirds of the members of an employees' mutual banking association,] of a plan of dissolution providing for the full payment of its liabilities, and

(ii) approval of such plan by the department after application for approval in a form prescribed by the department accompanied by a copy of the plan.

(b) Certificate of election for voluntary dissolution--Immediately after adoption and approval of a plan of

dissolution, the [unincorporated institution] private bank shall

1 deliver to the department a certificate of dissolution which
2 shall be signed by the individual private banker or by two of
3 the partners [or members of the unincorporated institution] and
4 which shall contain:

5 (i) the name of the [unincorporated institution] private
6 bank,

7 (ii) the location and post office address of its
8 principal place of business,

9 (iii) the name and address of the individual private
10 banker or of each of the partners in the private bank[, or of
11 each of the officers and directors of the employees' mutual
12 banking association], and

13 (iv) a statement of the manner in which the plan of
14 dissolution was adopted.

15 (c) Filing of certificate--If the Department of Banking has
16 approved the plan of dissolution and if the certificate
17 satisfies the requirements of this act and if all applicable
18 fees and charges have been paid, the department shall issue to
19 the [unincorporated institution] private bank the approved
20 certificate of election to dissolve and shall make and retain a
21 copy thereof.

22 (d) Effect of certificate--Upon the issuance of an approved
23 certificate of an election to dissolve, the [unincorporated
24 institution] private bank shall cease to carry on its business
25 except insofar as may be necessary for the proper winding up
26 thereof.

27 (e) Winding up--The [unincorporated institution] private bank
28 shall give notices, pay claims, dispose of unclaimed property,
29 and make reports to the department in the same manner as an
30 incorporated institution in voluntary dissolution is required to

1 do by section 1805 of this act.

2 (f) Possession by department--If during the course of
3 dissolution proceedings it appears that the assets of the
4 [unincorporated institution] private bank will not be sufficient
5 to discharge its liabilities, the department may take possession
6 of the business and property of the institution and complete the
7 dissolution in accordance with the provisions of the Department
8 of Banking Code.

9 (g) Articles of dissolution--When all the liabilities of the
10 [unincorporated institution] private bank have been discharged
11 and all its remaining assets have been distributed to the
12 persons entitled thereto, articles of dissolution shall be
13 signed by the individual private banker or by two of the
14 partners [or members of the institution] and shall contain
15 statements substantially similar to those required in articles
16 of dissolution of an incorporated institution.

17 (h) Certificate of dissolution--The articles of dissolution
18 shall be delivered to the department. If all applicable fees,
19 charges and taxes required by law have been paid, the department
20 shall immediately issue to the [unincorporated institution]
21 private bank a certificate of dissolution as of the date and
22 time of filing with the approved articles of dissolution
23 attached thereto and shall make and retain a copy of such
24 certificate and articles. Upon the filing of the articles of
25 dissolution, the existence of the [unincorporated institution]
26 private bank shall cease.

27 Section 14. ~~This~~ 15. SECTIONS 4, 6 AND 7 OF THIS ACT SHALL <—
28 TAKE EFFECT IN 30 DAYS; THE REMAINDER OF THIS act shall take
29 effect immediately.