BANKING CODE OF 1965 - OMNIBUS AMENDMENTS

Act of Oct. 24, 2012, P.L. 1336, No. 170 Cl. 07

Session of 2012

No. 2012-170

HB 2368

AN ACT

Amending the act of November 30, 1965 (P.L.847, No.356), entitled "An act relating to and regulating the business of banking and the exercise by corporations of fiduciary powers; affecting persons engaged in the business of banking and corporations exercising fiduciary powers and affiliates of such persons; affecting the shareholders of such persons and the directors, trustees, officers, attorneys and employes of such persons and of the affiliates of such persons; affecting national banks located in the Commonwealth; affecting persons dealing with persons engaged in the business of banking, corporations exercising fiduciary powers and national banks; conferring powers and imposing duties on the Banking Board, on certain departments and officers of the Commonwealth and on courts, prothonotaries, clerks and recorders of deeds; providing penalties; and repealing certain acts and parts of acts," further providing for definitions, for persons authorized to engage in business of receiving deposits and money for transmission, for corporations authorized to act as fiduciary, for retention of records and admissibility of copies in evidence, for emergency powers and for acquisitions, and offers to acquire, shares of banks, bank and trust companies, trust companies and national banks; repealing provisions relating to prohibition against certain acquisitions, to legal holidays and to limitation on deposit of Commonwealth funds; further providing for additional powers of incorporated institutions related to conduct of business, for persons bound by bylaws and execution of instruments, for general lending powers, for direct leasing of personal property and for limits on indebtedness of one customer including purchased paper; repealing provisions relating to installment loans including revolving credit plans, to real estate loans, to authorizing certain loans for commercial, business, professional, agricultural or nonprofit purposes including revolving credit plans, to authorizing monthly interest loans for individuals, partnerships and other unincorporated entities, to alternate basis for interest charges by institutions, to charging interest at rates permitted competing lenders, to notice of annual fees and refunds on credit cards of affiliate banks, to authorization of fees for revolving credit plans and to extensions of credit to individuals, partnerships and unincorporated associations; further providing for application of chapter, for actions required, permitted or prohibited in fiduciary capacity, for transfer of fiduciary accounts and for investments; repealing provisions relating to real estate loans; further providing for lending powers and direct leasing of personal property; repealing provisions relating to conditional powers of savings banks; providing for pledges for deposits, limits on indebtedness of one customer including purchased paper; further providing for tentative trusts, for authorized offices, for authorization of new branches, for approval of branch by department and for branches outside Pennsylvania; repealing provisions

relating to branches acquired from the receiver of a closed institution or from an institution in danger of closing; further providing for articles of incorporation and for certificate of authorization to do business; providing for organization as a limited liability company; further providing for minimum capital, for classes of shares, for share certificates, for cash dividends, for redemption and acquisition of redeemable shares and statement of reduction of authorized shares, for number, qualifications and eligibility of directors or trustees, for audits and reports by directors or trustees, accountants and internal auditors and for prohibitions applicable to directors, trustees, officers, employees and attorneys; repealing provisions relating to indemnity and immunity of certain directors; providing for standard of care and justifiable reliance; further providing for articles of amendment, for authority to merge or consolidate, for requirements for a merger or consolidation, for mergers, consolidations and conversions of savings banks, for right of shareholders to receive payment for shares following a control transaction, for articles of conversion, for voluntary dissolution prior to commencement of business, for certificate of election for voluntary dissolution and for articles of dissolution; repealing provisions relating to application of chapter, to examinations and reports and to examination of affiliates and persons performing bank services; further providing for relationship of institutions and their personnel with officials and employees of department; repealing provisions relating to additional powers of the Department of Banking; and further providing for penalties and criminal provisions applicable to directors, trustees, officers, employees and attorneys of institutions and for penalties applicable to persons subject to this act.

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

Section 1. Section 102(h), (p), (q), (z.1) and (bb.1) of the act of November 30, 1965 (P.L.847, No.356), known as the Banking Code of 1965, amended or added July 23, 1970 (P.L.597, No.199), June 16, 1994 (P.L.346, No.51) and July 6, 1995 (P.L.271, No.39), are amended to read:

Section 102. Definitions

Subject to additional definitions contained in subsequent chapters of this act which are applicable to specific chapters or sections thereof, 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:

* * *

(h) "Branch"--an office or other place of business, other than the principal place of business, of an institution for the transaction of any business of the institution, except any of the following conducted or maintained with the approval of the department:

(i) a temporary agency,

(ii) a school at which deposits are accepted by an officer, employe or agent of the institution,

(iii) an office used solely for internal operations of the institution to which the public is not admitted for the conduct of banking business,

(iv) an automated teller machine,

(v) a [loan production] **limited purpose banking** office, or

(vi) any other office which the department may determine by rule or regulation.

* * *

(p) "Fiduciary"--an executor, administrator, guardian, [committee,] receiver, trustee, assignee for the benefit of creditors or one acting in a similar capacity.

(q) "Incorporated institution"--a bank, a bank and trust company, a trust company or a savings bank. **The term includes a bank, a bank and trust company, a trust company or a savings bank that is organized as a limited liability company.**

* * *

[(z.1) "Special institution"--any of the following:

(i) A State-chartered bank which meets all of the following criteria:

(A) Has previously assumed or may assume deposit liabilities of an entity which was subject to the supervision of the department under the act of May 15, 1933 (P.L.565, No.111), known as the "Department of Banking Code," the act of December 14, 1967 (P.L.746, No.345), known as the "Savings Association Code of 1967," or this act and whose deposits were not insured by the Federal Deposit Insurance Corporation or any other Federal agency authorized by law to insure deposits.

(B) Is wholly owned directly or indirectly by an agency or instrumentality of the Commonwealth, including specifically, the State Workmen's Insurance Fund.

(C) Has deposits that are insured by the Federal Deposit Insurance Corporation or any other Federal agency authorized by law to insure deposits.

(ii) The nonprofit corporation created by the act of April 6, 1979 (P.L.17, No.5), referred to as the Pennsylvania Savings Association Insurance Corporation Act.]

* * *

[(bb.1) "Subsidiary"--a corporation controlled by an institution which owns at least a majority of its shares.]

* * *

Section 2. Section 105(b) of the act is amended to read:

Section 105. Persons Authorized to Engage in Business of Receiving Deposits and Money for Transmission

* * *

(b) Exceptions--None of the following shall be deemed to be engaged in the business of receiving money for deposit or transmission within the meaning of subsection (a) of this section:

(i) a club or hotel to the extent it receives money from members or guests for temporary safekeeping,

(ii) an express, steamship or telegraph company to the extent it receives money for transmission,

(iii) an attorney-at-law, real estate agent, fiscal agent or attorney-in-fact to the extent he receives and transmits money solely as an incident of his general business or profession, [or]

(iv) a broker who is licensed under the laws of this Commonwealth to the extent he engages in such activities solely as an incident of the conduct of the brokerage business[.], **or**

(v) a person licensed under the act of September 2, 1965 (P.L.490, No.249), referred to as the Money Transmission Business Licensing Law, to the extent such person engages

in the transmission of money by means of a transmittal instrument for a fee or other consideration.

* * *

Section 3. Section 106(b) and (c) of the act, amended November 22, 2000 (P.L.660, No.89), are amended to read:

Section 106. Corporations Authorized to Act as Fiduciary

* * *

(b) Foreign fiduciaries--No corporation **or other legal entity** existing under the laws of a state other than this Commonwealth may act in this Commonwealth as fiduciary, except that an incorporated institution possessing fiduciary powers pursuant to the laws of another state shall have the same power to engage in fiduciary activities within this Commonwealth as a national banking association acting pursuant to 12 U.S.C. § 92a or a Federal savings association 12 U.S.C. § 1464(n), provided that:

(i) the state laws pursuant to which the incorporated institution is operating provide equivalent privileges to an incorporated institution chartered by the Commonwealth,

(ii) the incorporated institution complies with the minimum capital requirements of section 1102, and

(iii) the incorporated institution provides written notice to the department at least thirty days prior to the commencement of fiduciary activities, which notice shall be accompanied by documentation of its authorization to conduct fiduciary activities issued by the appropriate regulatory authority of the jurisdiction in which the institution is chartered or organized, acknowledgment by the appropriate regulatory authority of the jurisdiction in which the institution is chartered or organized that equivalent privileges are provided to incorporated institutions chartered within this Commonwealth, proof the institution complies with the minimum capital requirements of section 1102 and a certificate of authority to do business in this Commonwealth issued by the Department of State pursuant to 15 Pa.C.S. Ch. 41 (relating to foreign business corporations).

(c) National banks **and Federal savings banks**--A national bank **or Federal savings bank** located in this Commonwealth which has authority under the laws of the United States to act as fiduciary may act as fiduciary in this Commonwealth.

* * *

Section 4. Section 108(a) of the act is amended to read:

Section 108. Retention of Records and Admissibility of Copies in Evidence

(a) Requirement of retention--Every institution [and every national bank located in this Commonwealth] shall retain in such form and manner that they may be readily produced upon proper demand each record of original or final entry, and each deposit or withdrawal slip or ticket, for a period of seven years from the date of the making of 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.

* * *

Section 5. Section 111(b) of the act, amended July 23, 1970 (P.L.597, No.199), is amended to read:

Section 111. Emergency Powers

* * *

(b) Whenever the Secretary of Banking is of the opinion that circumstances or an emergency exists affecting all

institutions [and national banks] in the Commonwealth or in any parts thereof, he may authorize by public announcement in such manner as he shall determine institutions located in the area or areas affected to close any or all of their offices. In addition, if the secretary is of the opinion that only a particular institution is affected but not those located in the area generally, he may authorize the particular institution to close its office or offices so affected.

As used in this subsection, the phrase "circumstances or an emergency" shall include but not be limited to any condition which may interfere with the conduct of the normal operations of an institution, poses a threat to the safety and security of the personnel or property of the institution, interrupts transportation or power facilities, involves war, riots, civil commotion or other acts of lawlessness or violence, or is a national or State occurrence of such magnitude as to justify authorization of a bank closing. Any closing made pursuant to this subsection shall be effective until the next business day or for such longer period as may be authorized by the secretary in his public announcement.

Section 6. Section 112 heading and (a)(iii) and (i)(ii) of the act, amended May 18, 1988 (P.L.399, No.65), are amended to read:

Section 112. Acquisitions, and Offers to Acquire, Shares of Banks, Bank and Trust Companies[,] **and** Trust Companies [and National Banks]

(a) Definitions for purpose of section--The following words and phrases when used in this section shall have, unless the context clearly indicates otherwise, the following meanings:

* * *

(iii) "Institution"--a bank, bank and trust company, trust company[, national bank] or stock savings bank [located in Pennsylvania].

* * *

(i) Exemptions--No approval under this section shall be required for an acquisition or proposal to acquire shares in the case of either:

* * *

(ii) a merger or consolidation which requires the approval of the department [or the Comptroller of the Currency of the United States];

* * *

Section 7. Section 112.1 of the act, added December 18, 1986 (P.L.1702, No.205), is repealed:

[Section 112.1. Prohibition Against Certain Acquisitions

(a) Certain acquisitions unlawful--Except as provided in section 117, it shall be unlawful for a commercial bank, a bank holding company, a thrift institution or a thrift institution holding company to acquire a savings bank unless the acquiring entity, and any savings and loan holding company or bank holding company which directly or indirectly owns or controls the power to vote five percent or more of its shares, is located in Pennsylvania.

(b) Definitions--The terms in subsection (a) shall have the same meaning as those terms have in section 117.

(c) Prior acquisitions--The prohibition in subsection (a) shall not affect any acquisition effected prior to the effective date of this act.]

Section 8. Sections 113(e) and 114 of the act, amended or added March 4, 1982 (P.L.135, No.44), are repealed:

Section 113. Legal Holidays

* * *

[(e) National banks--This section shall apply to offices of national banks located in Pennsylvania except to the extent that Federal law specifically provides otherwise.

Section 114. Limitation on Deposit of Commonwealth Funds

The Treasury Department shall not deposit any Commonwealth Funds in a financial institution subject to this act that unlawfully does not conform to the finance charge limitations in the act of October 28, 1966 (1st Sp.Sess. P.L.55, No.7), known as the "Goods and Services Installment Sales Act," provided that there are other financial institutions in the Commonwealth properly approved by the Board of Finance and Revenue which can adequately collateralize and service Commonwealth Funds and instruments.]

Section 9. Section 202(e) of the act, amended April 8, 1982 (P.L.262, No.79), is amended to read:

Section 202. Additional Powers of Incorporated Institutions Related to Conduct of Business

An incorporated institution shall have in addition to other powers granted by this act or its articles and subject to the limitations and restrictions contained in this act or in its articles:

* * *

(e) Ownership of real property--the power to acquire and hold such real property as it:

(i) occupies or intends to occupy for the transaction of its business or partly so occupies and partly leases,

(ii) acquires for the purpose of providing parking facilities for the use of its customers, officers and employes, or

(iii) acquires solely or jointly with others for the purpose of providing data processing facilities for the institution or for the institution and others subject to the limitation that the book value of all such real property, of all furniture, fixtures and equipment acquired in connection with any real property owned or leased by the institution, of all alterations of buildings on real property owned or leased by the institution, of all shares of stock or corporations acquired under subsection (d) of this section, and investments in obligations of or for the benefit of corporations described in subsection (d) of this section or loans upon the security of the stock of such corporations shall not exceed [twenty-five] **one hundred** percent of the aggregate of surplus, unallocated reserves, undivided profits and subordinated securities in the case of a mutual savings bank, or [twenty-five] **one hundred** percent of the aggregate of capital, surplus, undivided profits and capital securities in the case of any other institution, or such larger amount as may be approved by the department, and subject to the requirement that estimates of costs of any building on real property owned or leased by the institution shall be submitted to the department for its approval prior to the erection thereof;

* * *

Section 10. Sections 205(b), 303 and 304 of the act are amended to read:

Section 205. Persons Bound by By-Laws; Execution of Instruments

* * *

(b) Without regard to any other form of execution provided in the by-laws, an instrument in writing, or any assignment or endorsement thereof, executed or entered into between an incorporated institution and any person and signed by the president and by the cashier or treasurer of the institution,

shall be held to have been properly executed for and in behalf of the institution. [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 institution of any instrument in writing.]

Section 303. General Lending Powers

(a) Definitions--As used in this section, the following words and phrases shall have the meanings given to them in this subsection:

"Credit device"--any card, check, identification code or other means of identification contemplated by the agreement governing a plan.

"Leasehold"--the interest, which is security for a loan, of a lessee of real estate under a lease which on the date of the loan has an unexpired term extending at least five years beyond the maturity of the loan, or contains a right of renewal, which may be exercised by the institution, extending at least five years beyond the maturity of the loan.

"Loan"--a cash advance or loan to be paid to or for the account of the customer.

"Plan" or "open-end credit plan"--a plan contemplating the extension of credit under an account governed by an agreement between an institution and a customer pursuant to which:

(i) the institution permits the customer and, if the agreement governing the plan so provides, persons acting on behalf of or with authorization from the customer from time to time to make purchases or to obtain loans or both by use of a credit device,

(ii) the amounts of purchases made and loans obtained are charged to the customer's account under the plan,

(iii) the customer is required to pay the institution the amounts of all purchases and loans charged to the customer's account under the plan but has the privilege of paying the amounts outstanding from time to time in full or in installments, and

(iv) interest may be charged and collected by the institution from time to time on the outstanding unpaid indebtedness under the plan.

"Purchases"--payments for property of whatever nature, real or personal, tangible or intangible, and payments for services, licenses, taxes, official fees, fines, private or governmental obligations or any other thing of value.

"Truth in Lending"--the Truth in Lending Act (Public Law 90-321, 15 U.S.C. § 1601 et seq.) and regulations promulgated thereunder as in effect from time to time. The terms "finance charge," "annual percentage rate," "credit card," "open-end credit" and "closed-end credit" have the same coverage and meanings as the definitions of those terms under Truth in Lending.

(b) General rule--

(i) An institution may, subject to any applicable restriction under other provisions of this act, lend money, **extend credit** and discount or purchase evidences of indebtedness and agreements for the payment of money[.] **at such interest, finance charge, rate or terms authorized under this section or at any interest, finance charge, rate or terms permitted for any other financial institution or any other lender regulated by any Federal or State supervisory authority on the specified class of loan.**

(ii) This section shall govern all direct and indirect extensions of credit by an institution for personal, family, household, business or agricultural purposes to an

individual, a partnership, a limited liability company or an unincorporated association, whether as closed-end credit or open-end credit.

(c) Disclosures--In connection with any loan or extension of credit, an institution shall make disclosures required by applicable Federal law, including the Real Estate Settlement Procedures Act of 1974 (Public Law 93-533, 88 Stat. 1724), the Truth in Lending Act and the Equal Credit Opportunity Act (Public Law 93-495, 15 U.S.C. § 1691 et seq.), in lieu of any disclosure requirement that may be imposed under Pennsylvania law.

(d) Agreements for extension of credit--An institution may make a loan or extend credit pursuant to this section on the basis of a written agreement. An agreement shall be fully completed prior to signature by the customer. A completed copy of the agreement, including related statements, notices and documents, shall be given to the customer. An agreement shall provide, if applicable:

(i) the amounts of the loan or available credit and the procedure or means by which it may be obtained,

(ii) maturity provisions, installment payment requirements, prepayment privileges and rebates of unearned interest upon prepayment,

(iii) either the amounts or rates of interest, which may be fixed or variable rates, or the basis for determining such amounts or rates, which basis in the case of variable rates must be an objectively determinable basis other than a basis determined solely by the institution,

(iv) the method of determining balances of unpaid indebtedness to which periodic rates of interest are applicable which, in the case of an open-end credit plan, may, if the agreement governing the plan so provides, include the amount of any interest and other charges, including delinquency charges, which have accrued in the account,

(v) charges that may be imposed in addition to interest, in such amounts as the agreement provides, or as established in the manner the agreement provides, such as, but not limited to, minimum charges, check charges and maintenance charges related to extensions of credit pursuant to overdraft check plans, a delinquency charge which may be assessed if the loan or extension of credit is in default for more than fifteen days and fees, extension charges and actual charges that may be incurred on default, including, but not limited to, court and other collection costs and reasonable attorney fees. The additional charges may include a daily, weekly, monthly, annual or other periodic charge for the privileges made available to the customer under an open-end credit plan, transaction charges for each separate purchase or loan under the plan and a minimum charge for each scheduled billing period under the plan, during any portion of which there is an outstanding unpaid indebtedness under the plan,

(vi) collateral security and provisions relating to collateral security, except that there may not be any authorization for entry of judgment by confession nor any acceleration of a loan or repossession of collateral unless there is a default pursuant to the agreement, and

(vii) insurance coverages and premiums for insurance coverages.

Such agreements shall be valid and enforceable, and an institution may impose and collect the interest and other charges provided in the agreement.

(e) Computation of interest--A fixed rate of interest included in a finance charge shall be computed either on a simple interest basis by a generally accepted actuarial method, including a method permitted for determination of an annual percentage rate under Truth in Lending or, as to an extension of credit with an initial maturity of not more than sixty months, which is made within two years after the effective date of this subsection, on an add-on or discount basis. The maximum amount that may be charged on the basis of a variable rate of interest shall be computed in accordance with or with reference to a schedule or formula at the times and for the periods provided in the agreement. The periodic rate of interest, as so varied, will be applicable to all outstanding unpaid indebtedness under the agreement from the effective date of the variation if so provided in the agreement.

(f) Changes in terms--An institution may change the terms of the agreement if:

(i) the agreement so provides,

(ii) there is compliance with applicable notice requirements of Truth in Lending prior to the effective date of the change,

(iii) the notice states that a customer for whose account a change in terms does not become effective may pay all outstanding amounts pursuant to the agreement as in effect prior to the notice, and

(iv) in the case of an increase in a fixed rate of interest or other charges payable by the customer under an open-end credit plan, the customer incurs additional indebtedness after the effective date of the change of terms.

If the agreement governing the plan so provides, a change of terms pursuant to this subsection may, on and after the date it becomes effective as to an account, apply to all then-outstanding, unpaid indebtedness. A change in the amount of interest imposed in accordance with or with reference to a schedule or formula for a variable rate of interest shall not be deemed to be a change in terms, but a change in such schedule or formula shall be deemed to be a change in terms. No change may be made in a fixed rate of interest or other charges payable with respect to the outstanding balance of indebtedness or in the amount or due dates of required installment payments on closed-end credit unless there is written consent of the customer at the time of the change except for an extension of any due date or an option granted by the institution to the customer to omit payments and except as may be otherwise provided in an agreement for an extension of credit which is not for personal, family or household purposes.

(g) Prepayment--

(i) A borrower or buyer may prepay an extension of credit in full at any time.

(ii) If interest has been precomputed, then, in the event of prepayment of an extension of credit, the institution shall refund to the customer the unearned portion of the precomputed interest. The refund shall be in an amount not less than the amount of the unearned precomputed interest calculated in accordance with a generally accepted actuarial method, including a method permitted for determination of an annual percentage rate under Truth in Lending, except that the amount of the unearned interest on an extension of credit with an initial maturity of not more than sixty months which is made within two years after the effective date of this section for which interest is computed on an add-on or discount basis, as permitted by subsection (e), may be

calculated in accordance with the "sum of the balances" method and except that the customer shall not be entitled to a refund which results in a net minimum charge of less than an amount equal to the interest that would accrue in the first month the extension of credit was scheduled to be outstanding. The institution shall not be required to refund the unearned portion of the interest if such amount is less than one dollar ($1).

(iii) The amount of a refund under the "sum of the balances" method is determined by multiplying the precomputed interest by a fraction, the numerator of which is the sum of the balances, including interest, of the extension of credit scheduled to be outstanding after deducting the first of the payments scheduled to be made on or after the date of prepayment and the denominator of which is the sum of all the unpaid balances, including interest, of the extension of credit scheduled to be outstanding from its inception to and including the maturity of the final installment. Intervals between scheduled payments must be regular periods of one month or less except that the interval between the inception of an extension of credit and the due date of the first scheduled payment may be:

(A) one month and fifteen days when the regular payment interval is a month,

(B) one month when the regular payment interval is less than a month but more than a week, or

(C) eleven days when the regular payment interval is a week or less.

(h) Insurance--The agreement may provide for life, health, accident, loss-of-income or other permissible insurance related to an extension of credit under a group or individual policy subject to the option of the customer to furnish required insurance through an authorized insurer of the customer's choice as provided in section 11 of the act of September 2, 1961 (P.L.1232, No.540), known as the "Model Act for the Regulation of Credit Life Insurance and Credit Accident and Health Insurance," and, if premiums for the insurance are paid to the institution, provisions shall be made for rebates of unearned premiums, if any, upon prepayment. An institution may require that insurance be maintained, from an insurer acceptable to the institution, against loss or damage to property which is collateral security for the extension of credit and against liability arising out of the ownership or use of such property. An institution may grant an extension of credit to finance the premiums for the insurance.

(i) Extensions of credit through intermediaries--An extension of credit to finance a sale of a motor vehicle, other than through an open-end credit plan, may be made by an institution through a seller licensed as an installment seller under the act of June 28, 1947 (P.L.1110, No.476), known as the "Motor Vehicle Sales Finance Act," as an intermediary if:

(i) the agreement governing the extension of credit conspicuously provides that the extension of credit is made by the institution to the buyer and is subject to the provisions of this section, and

(ii) either the institution has made a commitment to make the extension of credit or the agreement is subject to acceptance by the institution within two business days after the date of the agreement and the institution upon such acceptance sends written notice to the buyer. The terms and conditions under which the seller acts as an intermediary

between the institution and the buyer shall be determined by written agreement between the institution and the seller. An extension of credit made through an intermediary pursuant to this section shall be subject to this act and other acts governing transactions between banks and their customers and shall not be subject to the provisions or requirements of any other regulatory statute, rule or regulation. Neither a seller who acts as an intermediary for an institution with respect to an extension of credit nor an institution that makes an extension of credit through a seller as an intermediary shall be deemed to be in violation of licensing or other requirements of any other regulatory statute, rule or regulation that would be applicable to extensions of credits by such a seller or contractor to its customers.

(j) Right of rescission--A person whose ownership interest in that person's principal dwelling is subject to a lien or security interest as collateral security for an extension of credit subject to this section shall have a right of rescission for the same types of transactions on the same terms and conditions and for the same time periods as those provided for the right of rescission under Truth in Lending.

(k) Statement of account--Upon the written request of the customer, an institution shall provide, within ninety days after the end of each calendar year, a statement of the customer's account showing payments made during that year, the amount applied to interest and the balance of the account at the end of that year.

(l) Waiver of provisions--No provision of this section which confers rights on the customer or any other person may be waived or modified except to the extent and in the circumstances in which Truth in Lending permits a consumer to waive or modify the right of rescission.

(m) Balloon payments--No agreement for a loan or extension of credit under this section containing terms of which principal is repayable in installments may provide for a final payment which is more than double the regularly scheduled payment exclusive of overdue or extended payments, except in the case of automobile financing transactions and real estate loans.

(n) Real estate loans--

(i) An institution may, subject to the requirements of this section, make or acquire a loan secured by a lien on real estate, including a lease-hold, located in any state or the District of Columbia, in a dependency or insular possession of the United States or in the Commonwealth of Puerto Rico for a term not to exceed forty years and in an amount not to exceed ninety percent of the value of the loan except that if the amount of the loan does not exceed one hundred thousand dollars ($100,000) or is made in reliance upon a private mortgage insurance or guarantee acceptable to the department regardless of the amount of the loan, then one hundred percent of the value of the loan, unless otherwise subject to the supervisory loan-to-value limits established by the Federal Deposit Insurance Corporation in 12 CFR Pt. 365, Subpt. A, Appendix A (relating to interagency guidelines for real estate lending policies).

(ii) The requirements for a loan subject to this subsection shall be:

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

(B) the value of the real estate shall be determined by a real estate appraiser qualified in the state where

the real estate is located who shall inspect the real estate and state its value to the best of the appraiser's judgment in a written report signed by the appraiser that must be preserved in the records of the institution,

(C) insurance, as evidenced by a policy or binder or a copy of either, against loss from fire on all buildings on the real estate which are included in the appraised value, issued by insurers acceptable to the institution and authorized to do business where the real estate is located and in form and amount satisfactory to the institution, shall be maintained during the term of the loan by or at the expense of the borrower, except that the institution may at its own expense maintain such insurance covering only its interest as lender,

(D) the borrower shall pay all expenses in connection with the loan for title insurance, searches and certificates, appraisal fees and fees for preparation and recording of documents, and

(E) an institution may make a single delinquency charge for each payment 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 payment.

(iii) The restrictions and requirements of this subsection shall not apply to:

(A) a loan guaranteed at least to the extent of twenty percent of the loan, or for which a written commitment for the guarantee has been issued, by the Veterans Administration pursuant to 38 U.S.C. (relating to veterans' benefits),

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

(C) a loan insured, or for which a written commitment to insure has been issued, by the Farmers Home Administration pursuant to the Consolidated Farm and Rural Development Act (Public Law 87-128, 75 Stat. 307),

(D) a loan made pursuant to the Small Business Act (Public Law 85-536, 15 U.S.C. § 631 et seq.),

(E) an investment security acquired pursuant to section 307,

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

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

(2) collateral other than the real estate lien,

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

(4) an agreement by a financially responsible person to take over or purchase the loan, or to provide funds for payment of the loan, within a period of five years from the date of the loan

and there is a certificate of reliance setting forth the applicable facts, or

(G) a residential mortgage loan secured by real estate located in a low-income to moderate-income area.

(iv) The restriction of this subsection on the location of real estate shall not apply in the case of a loan acquired from a corporation or association of which the institution owns more than fifty percent of the outstanding shares of capital under section 311(d)(ii)(C), if such loan:

(A) is secured by a first lien on improved real estate, including farm land,

(B) satisfies all requirements of this section other than the restriction on location of real estate, and

(C) is serviced by the corporation or association from which it is acquired.

Section 304. Direct Leasing of Personal Property

An institution may[, subject to regulation by the department,] acquire and lease personal property pursuant to a binding arrangement for the leasing of such property to a customer upon terms requiring payment to the institution, during the minimum period of the lease, of rentals which in the aggregate will exceed the total expenditures by the institution for or in connection with the acquisition, ownership, maintenance and protection of the property.

Section 11. Section 306(b) and (e) of the act, amended July 6, 1984 (P.L.621, No.128), are amended to read:

Section 306. Limits on Indebtedness of One Customer (Including Purchased Paper)

* * *

(b) Indebtedness included--There shall be included in the indebtedness of one customer to which the fifteen percent limitation of this section applies:

(i) the aggregate rentals payable by the customer under leases of personal property by the institution;

(ii) to the extent that they exceed fifteen percent of the capital accounts of the institution, the aggregate balances payable on all installment paper acquired by the institution from the customer, irrespective of the legal liability of the customer or absence of such liability;

(iii) to the extent that they exceed fifteen percent of the capital accounts of the institution, obligations of the customer as indorser or guarantor of notes (other than those excluded by subsection (c)(ii) of this section) having a maturity of not more than six months and actually owned by the customer transferring the notes;

(iv) obligations of the customer by reason of acceptances by the institution of drafts or bills of exchange (other than those excluded by subsection (c)(v) of this section); [and]

(v) all other liabilities, not otherwise excluded by this section, of the customer to the institution, whether direct or indirect, primary or secondary, under evidences of indebtedness and agreements for the payment of money[.]; **and**

(vi) any credit exposure to a person arising from a derivative transaction, repurchase agreement, reverse repurchase agreement, securities lending transaction or securities borrowing transaction between the institution and the person.

* * *

(e) Definition--As used in this section [the term "capital accounts" means the aggregate of capital, surplus, undivided profits, capital securities and reserve for loan losses of the institution. Reserve for loan losses shall mean that portion of an institution's earnings set aside as a general reserve to absorb possible future losses on loans as of the last complete

calendar or fiscal year, carried in an account captioned "reserve for loan loss" or "reserve for bad debts."], **the following words and phrases shall have the meanings given to them in this subsection:**

"Capital accounts"--the aggregate of capital, surplus, undivided profits, capital securities and reserve for loan losses of the institution. Reserve for loan losses shall mean that portion of an institution's earnings set aside as a general reserve to absorb possible future losses on loans as of the last complete calendar or fiscal year, carried in an account captioned "reserve for loan loss" or "reserve for bad debts."

"Derivative transaction"--any transaction that is a contract, agreement, swap, warrant, note or option that is based, in whole or in part, on the value of, any interest in or any quantitative measure or the occurrence of any event relating to, one or more commodities, securities, currencies, interest or other rates, indices or other assets.

Section 12. Section 309 of the act, amended July 30, 1975 (P.L.108, No.56) and May 21, 1980 (P.L.173, No.51), is repealed:

[Section 309. Installment Loans (Including Revolving Credit Plans)

(a) Maximum rate--An institution may make a charge for an installment loan which complies with the requirements of this section, at a rate not in excess of six dollars ($6) per one hundred dollars ($100) per annum computed on the original principal amount for the period of the loan. If such loan is one of a series of loans under an agreement ("revolving credit plan") providing a maximum outstanding balance of all such loans at any time, the institution may make a charge at a rate not in excess of one percent per month on the actual outstanding balance of the loan.

(b) Disclosure of charge--The institution shall inform the borrower in writing:

(i) of the monthly rate of the charge under subsection (a) of this section for a loan under a revolving credit plan, and

(ii) of the dollar amount of its total charge under subsection (a) of this section for any other installment loan

by a statement in an evidence of indebtedness or agreement in connection with the loan or by any other method that complies with requirements established by regulation of the department.

(c) Term--The term within which all loans which at any time have been made under a revolving credit plan shall become due shall be ten years from the date of the last loan made under the plan. The term of any other installment loan shall be a period not in excess of one hundred twenty months and fifteen days calculated from the time of making the loan. The first installment shall be scheduled no longer than forty-five days after the time of making the loan. The aggregate period for which the final maturity of any loan may be extended shall be six months.

(d) Maximum amount--The original principal amount of any loan, and the total of the principal balances of all loans to one borrower outstanding at any time, for which a charge is made pursuant to the authorization of this section shall not be in excess of ten thousand dollars ($10,000). For any portion of one or more loans to one borrower in excess of such amount, the charge which the institution may make shall be governed by law other than this section.

(e) Installments--The total amount payable on the loan shall be payable in installments of substantially equal amounts at

substantially equal intervals of not more than three months each, except that installments may be omitted, because of the borrower's receipt of income on an intermittent basis, for a total period which is not more than three months in each calendar year, and except that in the case of a loan or loans made under a revolving credit plan the amounts of installments may be based on a percentage of the balance of all loans outstanding under the plan.

(f) Permissible charges--An institution may receive in advance the charge permitted under subsection (a) of this section and in addition may make the following charges:

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

(ii) a charge for each check or order used by the customer to obtain the proceeds of loans under a revolving credit plan in an amount not in excess of the institution's current charge for a check sold for use against a deposit account commonly called a "special checking account",

(iii) 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,

(iv) a charge for an extension in an amount not to exceed one percent of the unpaid balance of the loan for each month of such extension or portion thereof in excess of fifteen days,

(v) fees paid for filing documents in public offices in connection with the loan, and

(vi) actual expenditures, including reasonable attorneys' fees, for proceedings to collect the loan.

(g) Rebate of unearned charges--In the event of payment or refinancing of the balance of a loan prior to maturity the institution shall pay or credit a refund of the unearned portion of the charge made pursuant to subsection (a) of this section in an amount which shall be at least the amount computed, for the unexpired period to the date of scheduled maturity, by the accounting method known as "the sum of the digits" or "the rule of 78" except that no such refund shall be required in an amount less than one dollar ($1) or in any amount until the institution has received a minimum charge of five dollars ($5) for the loan.

(h) Advertisement--The department may prohibit the further use by an institution of any advertisement respecting installment loans authorized by this section if it finds that the form or content of such advertisement might mislead the public.

(i) Insured loans--The requirements of this section shall not apply to a loan insured pursuant to national housing legislation.]

Section 13. Section 310 of the act, amended, added or repealed May 21, 1980 (P.L.173, No.51), July 6, 1984 (P.L.621, No.128), July 9, 1992 (P.L.430, No.90) and November 22, 2000 (P.L.660, No.89), is repealed:

[Section 310. Real Estate Loans

(a) Permissible loans; term and maximum amount--An institution may, subject to the requirements of this section, make or acquire a loan secured by a lien on real estate (including a lease-hold) located in any state or the District of Columbia, in a dependency or insular possession of the United States or in the Commonwealth of Puerto Rico:

(i) in the case of improved real estate, including farm land, for a term not to exceed:

(A) ten years, if unamortized, or

(B) forty years, if the terms of the loan require substantially equal payments at successive intervals of not more than one year each and in an amount sufficient to pay all principal of and interest on the loan within the term of the loan, except that a loan to a commercial or industrial borrower is exempted from the requirement of substantially equal payments and the date of the initial payment on a loan to such borrower may be deferred for a period not in excess of five years from the date of the loan; or

(ii) in the case of unimproved real estate to be acquired or developed with the proceeds of the loan, for a term not to exceed five years; and

(iii) in an amount not to exceed ninety percent of the value of the loan except that if the amount of the loan does not exceed one hundred thousand dollars ($100,000) or is made in reliance upon a private mortgage insurance or guarantee acceptable to the department regardless of the amount of the loan, then one hundred percent of the value of the loan.

(b) Additional term for combination of construction and permanent loans--In a case in which a loan subject to this section is made to finance construction of an improvement and such loan is combined with a permanent loan to continue after completion of construction, the term of the construction loan or that portion of the term not in excess of three years, shall not be counted against the maximum term for the permanent loan permitted under subsection (a) of this section but such combined construction loan and permanent loan shall be subject to all other requirements of this section.

(c) Leasehold loans--For the purpose of this section a "leasehold" shall mean the interest, which is security for a loan, of a lessee of real estate under a lease which on the date of the loan has an unexpired term extending at least five years beyond the maturity of the loan, or contains a right of renewal, which may be exercised by the institution, extending at least five years beyond the maturity of the loan.

(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 other requirements of this section pertaining to such loans;

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

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

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

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

(iv) insurance, as evidenced by a policy or binder or a copy of either, against loss from fire on all buildings on the real estate which are included in the appraised value, issued by insurers acceptable to the institution and authorized to do business where the real estate is located and in form and amount satisfactory to the institution, shall be maintained during the term of the loan by or at the expense of the borrower, except that the institution may at its own expense maintain such insurance covering only its interest as lender;

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

(vi) an institution may make a single delinquency charge for each payment 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 payment.

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

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

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

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

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

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

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

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

(B) collateral other than the real estate lien,

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

(D) an agreement by a financially responsible person to take over or purchase the loan, or to provide funds for payment thereof, within a period of five years from the date of the loan

and there is a certificate of reliance setting forth the applicable facts.

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

(viii) a residential mortgage loan secured by real estate located in a low- to moderate-income area.

(f) Loans acquired from international banking subsidiary--The restriction of this section on the location of real estate shall not apply in the case of a loan acquired from a corporation or association of which the institution owns more than fifty percent of the outstanding shares of capital under subsection 311(d)(ii)(C), if such loan:

(i) is secured by a first lien on improved real estate, including farm land,

(ii) satisfies all requirements of this section other than the restriction on location of real estate, and

(iii) is serviced by the corporation or association from which it is acquired.

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

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

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

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

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

Section 14. Section 316 of the act, amended or added November 27, 1968 (P.L.1104, No.345) and September 27, 1973 (P.L.251, No.72), is repealed:

[Section 316. Authorizing Certain Loans for Commercial, Business, Professional, Agricultural or Nonprofit Purposes Including Revolving Credit Plans

(a) Maximum rate--An institution may make a charge for an installment loan which complies with the requirements of this section at a rate not in excess of five dollars ($5) per one hundred dollars ($100) per annum computed on the original principal amount for the period of the loan. If such loan is one of a series of loans under an agreement ("revolving credit plan") providing a maximum outstanding balance of all such loans at any time, the institution may make a charge at a rate not in excess of three-fourths of one percent per month on the actual outstanding balance of the loan.

(b) Eligible borrowers--An installment loan for which the charge authorized by this section may be made may be granted only to a customer which is a nonprofit organization or to a

customer which is engaged in a commercial, business, professional or agricultural enterprise for purposes of such enterprise.

(c) Term--The term of the loan shall be a period not in excess of seven years from the date of the loan. The aggregate period for which the final maturity of the loan may be extended shall be one year.

(d) Maximum amount--The original principal amount of any loan, and the total of the principal balances of all loans to one borrower outstanding at any time, for which charges are made pursuant to the authorization of the section and of section 309, shall not be in excess of fifty thousand dollars ($50,000). For any portion of one or more loans to one borrower in excess of such amount, the charge which the institution may make shall be governed by law other than this section.

(e) Installments--The total amount payable on the loan shall be payable in installments at substantially equal intervals of not more than one year each.

(f) Permissible charges--An institution may receive in advance the charge permitted under subsection (a) of this section and in addition may make the following charges:

(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 fifteen dollars ($15) or five percent of the amount of the installment,

(iii) a charge for an extension in an amount not to exceed one percent of the unpaid balance of the loan for each month of such extension or portion thereof in excess of fifteen days,

(iv) fees paid for filing documents in public offices in connection with the loan, and

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

(g) Rebate of unearned charges--In the event of payment or refinancing of the balance of a loan prior to maturity, the institution shall pay or credit a refund of the unearned portion of the charge made pursuant to subsection (a) of this section in an amount which shall be at least the amount computed, for the unexpired period to the date of scheduled maturity, by the accounting method known as the "Sum of the Digits" or "The Rule of 78," except that no such refund shall be required in an amount less than one dollar ($1) or in any amount until the institution has received a minimum charge of ten dollars ($10) for the loan.]

Section 15. Section 317 of the act, added June 25, 1977 (P.L.101, No.37), is repealed:

[Section 317. Authorizing Monthly Interest Loans for Individuals, Partnerships and Other Unincorporated Entities

(a) Maximum rate--An institution may make a charge for a loan which complies with the requirements of this section at a rate not in excess of one percent per month on the actual outstanding principal balance of the loan. This provision shall be in addition to and shall not be limited by other statutes authorizing rates of interest on charges for credit except it shall not be applicable to a residential mortgage loan for which a maximum rate of interest is provided under the act of January 30, 1974 (P.L.13, No.6), referred to as the Loan Interest and

Protection Law. An institution which makes a charge permitted by this section may not also make a charge for the same transaction under any other statutory provision.

(b) Eligible borrowers--A loan for which the charge authorized by this section may be made may be granted only to an individual, partnership or other unincorporated entity.

(c) Maximum amount--The original principal amount of any loan, and the total of the principal balances of all loans to one borrower outstanding at any time, for which charges are made pursuant to the authorization of this section shall not be in excess of ten thousand dollars ($10,000). The charge for the portion of a loan to one borrower in excess of such amount, shall be in accordance with law not contained in this section.

(d) Permissible charges--An institution may receive the charge permitted under subsection (a) and, in addition, may make the following charges:

(i) fees paid for filing documents in public offices in connection with the loan, and

(ii) actual expenditures, including reasonable attorney's fees, for proceedings to collect the loan.]

Section 16. Section 318 of the act, added May 21, 1980 (P.L.173, No.51), is repealed:

[Section 318. Alternate Basis for Interest Charges by Institutions

An institution may make a charge for a loan at a rate, for the term of the loan, not in excess of the discount rate in effect, at the time the loan is made, at the Federal Reserve Bank of the Federal Reserve District in which the institution is located plus five percent. The basis for charging interest under this section is an optional alternative to other provisions of this act and other statutes authorizing rates of interest or charges for credit and is not limited by any of such other provisions.]

Section 17. Sections 319 and 320 of the act, added April 8, 1982 (P.L.262, No.79), are repealed:

[Section 319. Charging Interest at Rates Permitted Competing Lenders

Any loans authorized by this act, other than loans secured by a first lien mortgage on residential real estate, may be made at such interest, finance charge, rate or terms herein authorized or at any interest, finance charge, rate or terms permitted by Pennsylvania law for any other financial institution or any other lender regulated by any State or Federal supervisory authority on the specified class of loan.

Section 320. Notice of Annual Fees and Refunds on Credit Cards of Affiliate Banks

(a) Notice of annual fees--A bank which is an affiliate of an institution, which is domiciled in a state whose law permits an annual fee to be charged on a credit card issued by such affiliate to Pennsylvania residents and which gives notice after the effective date of this section that such an annual fee will be charged shall, at least once in each subsequent year, give written notice to each card holder in this State of the procedure to follow if such card holder desires to terminate his account in order not to incur such fee. Such notice shall be given not less than sixty days prior to the beginning of the annual period for which such fee is computed.

(b) Refunds--An affiliate of an institution shall in the event of a credit balance in the account of a holder of a credit card make a cash refund of such over-payment within thirty days after demand by the card holder and in the event of failure to make a refund within such thirty days shall pay interest at the

rate of five and one quarter percent on the amount of such credit balance until the refund is made.

(c) Definition--The term "affiliate" shall have the meaning given to it in section 102(a).]

Section 18. Section 321 of the act, added December 17, 1982 (P.L.1367, No.313), is repealed:

[Section 321. Authorization of Fees for Revolving Credit Plans

Pursuant to an agreement with a customer, an institution may charge on an annual or other periodic basis, fees for privileges made available under a credit card or other revolving credit plan which permits purchases or loans or both from time to time. Such fees may not be in excess of fifteen dollars ($15) in any twelve-month period for each credit card account or other revolving credit plan and may be collected in addition to interest, finance charges, service charges and other charges permitted by law. At least fifteen days prior to the effective date of any such fee or an increase in the amount thereof, an institution shall mail or deliver to a customer a written notice that the fee or increase will be incurred only if the customer expressly agrees or if the customer or an authorized person uses the plan by making a purchase or obtaining a loan after the effective date stated in the notice. Such notice shall be given in compliance with the disclosure requirements of the Federal Truth in Lending Act and regulations thereunder.]

Section 19. Section 322 of the act, added December 28, 1994 (P.L.1424, No.167), is repealed:

[Section 322. Extensions of Credit to Individuals, Partnerships and Unincorporated Associations

(a) Definitions--As used in this section, the following words and phrases shall have the meanings given to them in this subsection:

"Credit device"--any card, check, identification code or other means of identification contemplated by the agreement governing a plan.

"Loans"--cash advances or loans to be paid to or for the account of the customer.

"Plan" or "open-end credit plan"--a plan contemplating the extension of credit under an account governed by an agreement between an institution and a customer pursuant to which:

(i) the institution permits the customer and, if the agreement governing the plan so provides, persons acting on behalf of or with authorization from the customer from time to time to make purchases or to obtain loans or both by use of a credit device,

(ii) the amounts of purchases made and loans obtained are charged to the customer's account under the plan,

(iii) the customer is required to pay the institution the amounts of all purchases and loans charged to the customer's account under the plan but has the privilege of paying the amounts outstanding from time to time in full or installments, and

(iv) interest may be charged and collected by the institution from time to time on the outstanding unpaid indebtedness under such plan.

"Purchases"--payments for property of whatever nature, real or personal, tangible or intangible, and payments for services, licenses, taxes, official fees, fines, private or governmental obligations or any other thing of value.

"Truth in Lending"--the Federal Truth in Lending Act (Public Law 90-321, 15 U.S.C. § 1601 et seq.) and regulations promulgated thereunder as in effect from time to time. The terms "finance charge," "annual percentage rate," "credit card,"

"open-end credit" and "closed-end credit" have the same coverage and meanings as the definitions of those terms under Truth in Lending.

(b) Coverage--This section shall govern all direct and indirect extensions of credit by an institution for personal, family, household, business or agricultural purposes to an individual, a partnership or an unincorporated association, whether as closed-end credit or open-end credit, except extensions of credit:

(i) which are secured by a first-lien, purchase money, residential real estate mortgage,

(ii) which are student loans guaranteed by the Pennsylvania Higher Education Assistance Agency, or

(iii) which are not subject to a maximum rate of interest or finance charge or as to which the pleading of usury as a defense is prohibited pursuant to Federal or State law.

(c) Disclosures--In connection with an extension of credit, an institution shall make applicable disclosures required by Truth in Lending in lieu of any disclosure requirement which may be imposed by Pennsylvania law.

(d) Agreements for extension of credit--An institution may extend credit pursuant to this section on the basis of a written agreement. An agreement shall be fully completed prior to signature by the customer. A completed copy of such agreement, including related statements, notices and documents, shall be given to the customer. An agreement shall have the form and contents required by Truth in Lending and shall, in addition, provide if applicable:

(i) the amounts of available credit and the procedure or means by which it may be obtained,

(ii) maturity provisions, installment payment requirements, prepayment privileges and rebates of unearned interest upon prepayment,

(iii) either the amounts or rates of interest, which may be fixed or variable rates, or the basis for determining such amounts or rates, which basis in the case of variable rates must be an objectively determinable basis other than a basis determined solely by the institution, subject to a maximum rate of interest determined by the higher of the rate established by the National Credit Union Administration Board under 12 U.S.C. § 1757(5)(A)(vi) or the rate yielded by the sum of the average percentage yield on United States Treasury notes for a constant five-year maturity as published by the Board of Governors of the Federal Reserve System rounded to the nearer quarter of one percent, determined on the first day of each calendar quarter, plus ten percent,

(iv) the method of determining balances of unpaid indebtedness to which periodic rates of interest are applicable which, in the case of an open-end credit plan, may, if the agreement governing the plan so provides, include the amount of any interest and other charges, including delinquency charges, which have accrued in the account,

(v) charges which may be imposed in addition to interest, in such amounts as the agreement provides, or as established in the manner the agreement provides, such as, but not limited to, minimum charges, check charges and maintenance charges related to extensions of credit pursuant to overdraft check plans, a delinquency charge of twenty dollars ($20) or ten percent of each installment or payment, whichever is higher, which is in default for more than fifteen days and fees, extension charges and actual charges

that may be incurred on default, including, but not limited to, court and other collection costs and reasonable attorney fees. Such additional charges may include a daily, weekly, monthly, annual or other periodic charge for the privileges made available to the customer under an open-end credit plan, transaction charges for each separate purchase or loan under the plan and a minimum charge for each scheduled billing period under the plan, during any portion of which there is an outstanding unpaid indebtedness under the plan,

(vi) collateral security and provisions relating thereto, except that there may not be any authorization for entry of judgment by confession nor any acceleration of a loan or repossession of collateral unless there is a default pursuant to the agreement, and

(vii) insurance coverages and premiums therefor.

Such agreements shall be valid and enforceable, and an institution may impose and collect the interest and other charges provided therein.

(e) Computation of interest--A fixed rate of interest included in a finance charge shall be computed either on a simple interest basis by a generally accepted actuarial method, including a method permitted for determination of an annual percentage rate under Truth in Lending or, as to an extension of credit with an initial maturity of not more than sixty months, which is made within two years after the effective date of this section, on an add-on or discount basis. The maximum amount that may be charged on the basis of a variable rate of interest shall be computed in accordance with or with reference to a schedule or formula at the times and for the periods provided in the agreement. The periodic rate of interest, as so varied, will be applicable to all outstanding unpaid indebtedness under the agreement from the effective date of the variation if so provided in the agreement.

(f) Changes in terms--An institution may change the terms of the agreement if:

(i) the agreement so provides,

(ii) there is compliance with applicable notice requirements of Truth in Lending prior to the effective date of the change,

(iii) such notice states that a customer for whose account a change in terms does not become effective may pay all outstanding amounts pursuant to the agreement as in effect prior to the notice, and

(iv) in the case of an increase in a fixed rate of interest or other charges payable by the customer under an open-end credit plan, the customer incurs additional indebtedness after the effective date of the change of terms.

If the agreement governing the plan so provides, a change of terms pursuant to this subsection may, on and after the date it becomes effective as to an account, apply to all then outstanding unpaid indebtedness. A change in the amount of interest imposed in accordance with or with reference to a schedule or formula for a variable rate of interest shall not be deemed to be a change in terms, but a change in such schedule or formula shall be deemed to be a change in terms. No change may be made in a fixed rate of interest or other charges payable with respect to the outstanding balance of indebtedness or in the amount or due dates of required installment payments on closed-end credit unless there is written consent of the customer at the time of the change except for an extension of any due date or an option granted by the institution to the customer to omit payments and except as may be otherwise

provided in an agreement for an extension of credit which is not for personal, family or household purposes.

(g) Prepayment--

(i) A borrower or buyer may prepay an extension of credit in full at any time without any prepayment charge.

(ii) If interest has been precomputed, then, in the event of prepayment of an extension of credit, the institution shall refund to the customer the unearned portion of the precomputed interest. The refund shall be in an amount not less than the amount of the unearned precomputed interest calculated in accordance with a generally accepted actuarial method, including a method permitted for determination of an annual percentage rate under Truth in Lending, except that the amount of the unearned interest on an extension of credit with an initial maturity of not more than sixty months which is made within two years after the effective date of this section for which interest is computed on an add-on or discount basis as permitted by subsection (e) may be calculated in accordance with the "sum of the balances" method and except that the customer shall not be entitled to a refund which results in a net minimum charge of less than an amount equal to the interest that would accrue in the first month the extension of credit was scheduled to be outstanding. The institution shall not be required to refund the unearned portion of the interest if such amount is less than one dollar ($1).

(iii) The amount of a refund under the "sum of the balances" method is determined by multiplying the precomputed interest by a fraction, the numerator of which is the sum of the balances, including interest, of the extension of credit scheduled to be outstanding after deducting the first of the payments scheduled to be made on or after the date of prepayment and the denominator of which is the sum of all the unpaid balances, including interest, of the extension of credit scheduled to be outstanding from its inception to and including the maturity of the final installment. Intervals between scheduled payments must be regular periods of one month or less except that the interval between the inception of an extension of credit and the due date of the first scheduled payment may be:

(A) one month and fifteen days when the regular payment interval is a month,

(B) one month when the regular payment interval is less than a month but more than a week, or

(C) eleven days when the regular payment interval is a week or less.

(h) Insurance--The agreement may provide for life, health, accident, loss-of-income or other permissible insurance related to an extension of credit under a group or individual policy subject to the option of the customer to furnish required insurance through an authorized insurer of the customer's choice as provided in section 11 of the act of September 2, 1961 (P.L.1232, No.540), known as the "Model Act for the Regulation of Credit Life Insurance and Credit Accident and Health Insurance," and, if premiums for such insurance are paid to the institution, provisions shall be made for rebates of unearned premiums, if any, upon prepayment. An institution may require that insurance be maintained, from an insurer acceptable to the institution, against loss or damage to property which is collateral security for the extension of credit and against liability arising out of the ownership or use of such property.

An institution may grant an extension of credit to finance the premiums for such insurance.

(i) Extensions of credit through intermediaries--An extension of credit to finance a sale of a motor vehicle, other than through an open-end credit plan, may be made by an institution through a seller licensed as an installment seller under the act of June 28, 1947 (P.L.1110, No.476), known as the "Motor Vehicle Sales Finance Act," as an intermediary if:

(i) the agreement governing the extension of credit conspicuously provides that the extension of credit is made by the institution to the buyer and is subject to the provisions of this section, and

(ii) either the institution has made a commitment to make the extension of credit or the agreement is subject to acceptance by the institution within two business days after the date of the agreement and the institution upon such acceptance sends written notice thereof to the buyer. The terms and conditions under which the seller acts as an intermediary between the institution and the buyer shall be determined by written agreement between the institution and the seller.

An extension of credit made through an intermediary pursuant to this section shall be subject to this act and other acts governing transactions between banks and their customers and shall not be subject to the provisions or requirements of any other regulatory statute, rule or regulation, and neither a seller who acts as an intermediary for an institution with respect to such an extension of credit nor an institution which makes such an extension of credit through a seller as an intermediary shall be deemed to be in violation of licensing or other requirements of any other regulatory statute, rule or regulation that would be applicable to extensions of credits by such a seller or contractor to its customers.

(j) Right of rescission--A person whose ownership interest in that person's principal dwelling is subject to a lien or security interest as collateral security for an extension of credit subject to this section shall have a right of rescission for the same types of transactions on the same terms and conditions and for the same time periods as those provided for the right of rescission under Truth in Lending.

(k) Statement of account--Upon the written request of the customer, an institution shall provide, within ninety days after the end of each calendar year, a statement of the customer's account showing payments made during such year, the amount applied to interest and the balance of the account at the end of such year.

(l) Waiver of provisions--No provision of this section which confers rights on the customer or any other person may be waived or modified except to the extent and in the circumstances in which Truth in Lending permits a consumer to waive or modify the right of rescission.

(m) Balloon payments--No agreement for an extension of credit under this section containing terms of which principal is repayable in installments may provide for a final payment which is more than double the regularly scheduled payment exclusive of overdue or extended payments, except in the case of automobile financing transactions.]

Section 20. Section 401 of the act, amended July 6, 1995 (P.L.271, No.39), is amended to read:

Section 401. Application of Chapter

This chapter shall apply to, and the word "institution" in this chapter shall mean, a bank and trust company, an interstate

bank which has fiduciary powers under its law of incorporation, a trust company and a savings bank **that has fiduciary powers**, except that section 407 shall apply only to a trust company. The powers conferred by this chapter on a bank and trust company **or savings bank that has fiduciary powers** shall be independent of, and shall not expand, the banking powers of such an institution.

Section 21. Section 403 introductory paragraph and (c) of the act, amended April 16, 1981 (P.L.9, No.4), are amended to read:

Section 403. Actions Required, Permitted or Prohibited in Fiduciary Capacity

The following rules shall be applicable to an institution acting in [the capacity of fiduciary] **any capacity provided for under section 402.**

* * *

(c) Deposits of funds and security--The institution may deposit funds of [a fiduciary] **an** account awaiting investment or distribution in:

(i) a depository which is authorized by law to receive deposits and is subject to supervision by public authorities, or

(ii) if the institution is a bank and trust company or a savings bank, in its commercial, savings or other department where the funds may be used in the conduct of its business and, **for an account for which the institution is acting as a fiduciary under section 402(a)(i),** to the extent so deposited in an amount in excess of insurance provided by the Federal Deposit Insurance Corporation, shall be secured by a pledge of obligations [of the United States or of the Commonwealth of Pennsylvania or obligations for which the full faith and credit of the United States is pledged, or by a pledge of other securities approved by the department, with a market value not less than the amount of the funds secured, for the pro rata benefit of each account whose funds are so deposited in the event of insolvency of the institution] **or securities that are permissible as an investment of the institution.**

* * *

Section 22. Section 408 of the act, added December 18, 1984 (P.L.1087, No.217), is amended to read:

Section 408. Transfer of Fiduciary Accounts

[(a) Definitions--The definitions set forth in section 115(a) shall also apply to this section.]

(b) Transfer of accounts--[With] **Provided that an institution is directly involved in the transaction, with** the prior written approval of, and in accordance with the terms and conditions of transfer prescribed by, the department, and upon completion of the notice procedures of subsection (c) without objection, a [Pennsylvania] bank holding company **with a subsidiary institution, national bank or Federal savings bank located in this Commonwealth** may cause the transfer of one or more of the [fiduciary] accounts **with a situs in this Commonwealth and held in any capacity provided for under section 402** of one or more of the institutions [or trust companies], **national banks or Federal savings banks** controlled by such bank holding company to either:

(i) another of such institutions [or trust companies], **national banks or Federal savings banks;** or

(ii) a newly formed [trust company or] institution, **national bank or Federal savings bank** also controlled by such bank holding company.

(c) Notice procedure--[Prior] **Notwithstanding the provisions of 20 Pa.C.S. (relating to decedents, estates and fiduciaries), prior** to effecting a transfer of one or more [fiduciary] accounts under subsection (b), a [Pennsylvania] bank holding company shall cause notice that such a transfer will take place to be given to the settlor of the account, or if the settlor is deceased, to persons who are readily ascertainable as beneficiaries of the account by their receipt of statements of the account. Such notice shall also be given to any co-fiduciary of the account. If the persons or their legal representatives or guardians, in the case of minor children or incompetents, to whom the notice required by this subsection has been given, do not make written objection to the institution [or trust company], **national bank or Federal savings bank** then acting as fiduciary of the account or to the holding company which issued the notice within 15 days of the date the notice was mailed, then the holding company may complete the transfer of the account.

(d) Effect of transfer--If a [Pennsylvania] bank holding company completes a transfer as described in subsections (b) and (c), the institution [or trust company], **national bank or Federal savings bank** to which the fiduciary accounts of the other institutions [or trust companies], **national banks or Federal savings banks** have been transferred shall be automatically substituted by reason of such transfer as fiduciary of all accounts held in that capacity by such transferring institutions [or trust companies], **national banks or Federal savings banks**, without further action and without any order or decree of any court or public officer and shall have all the rights and be subject to all the obligations of such transferring institutions [or trust companies], **national banks or Federal savings banks** as fiduciary.

Section 23. Section 504(a.1) of the act, added December 21, 1988 (P.L.1416, No.173), is amended to read:

Section 504. Investments

* * *

[(a.1) Investments authorized by Savings Association Code--Notwithstanding any other provision of this act, a savings bank may make such investments as may be authorized for a savings association by section 922 of the act of December 14, 1967 (P.L.746, No.345), known as the Savings Association Code of 1967.]

* * *

Section 24. Section 505 of the act, amended December 13, 1979 (P.L.527, No.116), May 21, 1980 (P.L.173, No.51), December 21, 1988 (P.L.1416, No.173) and November 22, 2000 (P.L.660, No.89), is repealed:

[Section 505. Real Estate Loans

(a) Permissible loans; term and maximum amount--A savings bank may, subject to the requirements of this section, make or acquire a loan secured by a lien on real estate (including a leasehold) located in any state or the District of Columbia, in a dependency or insular possession of the United States or in the Commonwealth of Puerto Rico:

(i) in the case of improved real estate, including farm land, for a term not to exceed:

(A) ten years, if unamortized; or

(B) forty years, if the terms of the loan require payments which are substantially equal except for the

last payment at successive intervals of not more than one year each and in an amount sufficient to pay all principal of and interest on the loan within the term of the loan, except that a loan to a commercial or industrial borrower is exempted from the requirement of substantially equal payments and the date of the initial payment on a loan to such borrower may be deferred for a period not in excess of five years from the date of the loan; or

(ii) in the case of unimproved real estate to be acquired or developed with the proceeds of the loan, for a term not to exceed five years; and

(iii) in an amount not to exceed ninety percent of the value of the loan except that, if the amount of the loan does not exceed one hundred thousand dollars ($100,000) or is made in reliance upon a private mortgage insurance or guarantee acceptable to the department regardless of the amount of the loan, then one hundred percent of the value of the loan.

(b) Additional term for combination of construction and permanent loans--In a case in which a loan subject to this section is made to finance construction of an improvement and such loan is combined with a permanent loan to continue after completion of construction, the term of the construction loan, or that portion of the term not in excess of three years, shall not be counted against the maximum term for the permanent loan permitted under subsection (a) of this section but such combined construction loan and permanent loan shall be subject to all other requirements of this section.

(c) Leasehold loans--For the purpose of this section a "leasehold" shall mean the interest, which is security for a loan, of a lessee of real estate under a lease which on the date of the loan has an unexpired term extending at least five years beyond the maturity of the loan, or contains a right of renewal, which may be exercised by the savings bank, extending at least five years beyond the maturity of the loan.

(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 or second 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 savings bank. The aggregate of all loans by the savings bank secured by liens on the real estate shall satisfy all other requirements of this section pertaining to such loans;

(iii) the value of the real estate shall be determined by a real estate appraiser qualified in the state where the real estate is located who shall inspect the real estate and state its value to the best of his judgment in a written report signed by him which must be preserved in the records of the institution;

(iv) insurance against loss from fire on all buildings on the real estate which are included in the appraised value, issued by insurers acceptable to the savings bank and authorized to do business where the real estate is located and in form and amount satisfactory to the savings bank, shall be maintained during the term of the loan by or at the expense of the borrower, except that the savings bank may

at its own expense maintain such insurance covering only its interest as lender;

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

(vi) a savings bank may make a single delinquency charge for each payment 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 payment.

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

(i) a loan secured by a lien on a dwelling for not more than four families, in which the total of the borrowers equity and any guarantee or written commitment for such guarantee issued by the Veterans Administration pursuant to the Veterans' Benefits Act, equals twenty percent or more of the principal amount of the loan,

(ii) a loan secured by a lien on business property, in which the total of the borrowers equity and any guarantee or written commitment for such guarantee issued by the Veterans Administration pursuant to the Veterans' Benefits Act equals one-third or more of the principal amount of the loan,

(iii) a loan insured, or for which a written commitment to insure has been issued, pursuant to national housing legislation, or a loan for repair, alteration or improvement of real estate made pursuant to section 506 (a)(ii),

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

(v) an investment security, or

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

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

(B) collateral other than the real estate lien,

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

(D) an agreement by a financially responsible person to take over or purchase the loan, or to provide funds for payment thereof, within a period of five years from the date of the loan

and there is a certificate of reliance setting forth the applicable facts.

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

(f) Maximum rates--Loans including variable interest rate loans may be made at rates of interest 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 or at a maximum rate of interest not in excess of the maximum lawful interest rate permitted to be charged by a National Bank located in Pennsylvania under 12 U.S.C. § 85.

(g) Variable interest rate loans--The requirements with respect to payments under subsection (a)(i) of this section

shall not be applicable in the case of a variable interest rate loan permitted by the act of January 30, 1974 (P.L.13, No.6), referred to as the Loan Interest and Protection Law.

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

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

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

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

(i) Loans without regard to certain limitations--The department may, by regulation, permit savings banks to make, invest in, acquire, sell or otherwise deal with such loans on the security of liens upon residential or nonresidential real property (including leaseholds) as it considers consistent with the purposes of this act, as set forth in section 103, without regard to any of the conditions, restrictions, limitations or requirements imposed upon real estate lending by this section.]

Section 25. Section 506 of the act, amended December 21, 1988 (P.L.1416, No.173) and December 28, 1994 (P.L.1424, No.167), is amended to read:

Section 506. Lending Powers; Direct Leasing of Personal Property

(a) A savings bank may[:

(i) make loans on the collateral security of property in which the savings bank is authorized to invest, in an amount which shall not at any time exceed ninety percent of the readily marketable value of the collateral;

(ii) make loans for repair, alteration or improvement of real estate or for the purpose of mobile home financing without the necessity for mortgage security, subject to the following provisions:

(A) when such loans are insured or are the subject of a written commitment to insure pursuant to national housing legislation, they may be granted in such amounts and upon such terms as are permitted by such legislation or regulations issued thereunder,

(B) when any such loan is not insured under national housing legislation, the principal amount thereof shall not exceed the amount authorized under Title I of the National Housing Act and the loan shall be evidenced by a note or other written evidence of debt requiring repayment in regular monthly installments over a period

not exceeding that authorized under Title I of the National Housing Act. The note or other written evidence of debt may 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. The annual interest rate for loans made under this subsection shall not exceed the sum of the authorized interest rate for loans insured under Title I of the National Housing Act plus the annual rate for insurance on loans insured under Title I of the National Housing Act or creditor insurance applied to the loan. In addition to the interest herein authorized a savings bank may make the following charges in connection with said loan:

(1) premiums for insurance obtained in connection with the loan, but not including any charge for creditor insurance, if any, on such 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 delinquency on a prior installment in an amount not to exceed the lesser of five dollars ($5) 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, and

(5) actual expenditures, including reasonable attorneys' fees, for proceedings to collect the loans,

(C) the aggregate amount of all such loans held by any one savings bank at one time with or without insurance under national housing legislation shall not exceed twenty percent of its total assets. Any such loan made without such insurance shall also conform to rules and regulations which may be prescribed from time to time by the department,

(D) a loan is authorized under subsection (a)(ii)(B) only if the savings bank retains in its files written evidence that the loan is of the type that would be insurable under Title I of the National Housing Act. Such written evidence shall be retained in the files of the savings bank while the loan is outstanding and for a period of one year thereafter;

(iii) notwithstanding different provisions of any other law, make loans secured by at least an equal amount of deposits of the borrower in the savings bank at a rate of interest at least one percent higher than the rate of interest paid by the savings bank on said deposits, or make loans secured by at least an equal amount of cash surrender value of life insurance;

(iv) make loans to borrowers who are engaged in commercial, industrial or financial enterprises or who are nonprofit corporations, or associations, subject to the prudent man rule of section 504(c) of this act:

(A) for terms not less than ten years, or

(B) in the case of a savings bank which has elected to exercise the conditional powers provided in section 513, for terms of less than ten years, except that the total amount of such short term loans shall not exceed twenty percent of the assets of the savings bank;

(v) enter into transactions with a member or nonmember bank for the purpose of selling reserve balances of the savings bank to such banks without limitation;

(vi) in the case of a savings bank which has elected to exercise the conditional powers provided in section 513, make secured or unsecured loans for personal, family or household purposes, including loans reasonably incident to the provision of such credit, and subject to regulation by the department, issue credit cards, extend credit in connection therewith, and otherwise engage in or participate in credit card operations, except that the total amount of such loans or extensions of credit shall not exceed thirty percent of the assets of such savings bank;

(vii) make overdraft loans specifically related to deposits which are subject to withdrawal by check or by negotiable order of withdrawal;

(viii) make loans for the payment of educational expenses; and

(ix) in any loan or extension of credit made under the authority of this section, charge or impose any rate or charge which could be imposed by a bank in connection with any such loan or extension of credit, make agreements in the same manner and with the same terms, provisions and conditions as a bank and, in addition to the restrictions of this section, shall be subject only to the same disclosure and other requirements, restrictions and limitations imposed upon a bank in connection with such loan or extension of credit.] **lend money, extend credit and discount or purchase evidences of indebtedness and agreements for the payment of money pursuant to section 303 and acquire and lease personal property pursuant to a binding arrangement for the leasing of that property to a customer upon terms requiring payment to the savings bank, during the minimum period of the lease, of rentals which in the aggregate will exceed the total expenditures by the savings bank for or in connection with the acquisition, ownership, maintenance and protection of the property.**

[(b) A savings bank may, subject to regulation by the department, make investments in tangible personal property, including, without limitation, vehicles, manufactured homes, machinery, equipment or furniture, for rental or sale, but such investment may not exceed ten percent of the assets of the savings bank.]

Section 26. Section 513 of the act, added April 16, 1981 (P.L.9, No.4), is repealed:

[Section 513. Conditional Powers of Savings Banks

(a) A savings bank which makes an election provided in subsection (b) shall, in addition to its other powers under this act, have the powers specified in section 504(b)(xiii), section 506(a)(iv)(B) and (a)(vi) on the condition that it accepts the requirements provided in subsection (c).

(b) An election to exercise the conditional powers provided in this section shall be made by filing with the department a written statement of such election in such form as the department may provide. Such election shall become effective upon publication thereof by the department in the Pennsylvania

Bulletin or at such later time following such publication as the savings bank may specify in its election.

(c) Upon the effective date of an election by a savings bank to exercise the conditional powers provided in this section, it shall become subject to regulations which after giving due consideration to the laws and regulations applicable to Federal mutual savings banks, the department shall adopt and such regulations shall impose on such savings banks requirements and limitations with respect to the election of trustees by depositors and the exercise of such conditional powers as are deemed appropriate to protect the public interest in the soundness and preservation of the banking system and to foster competition among financial institutions in Pennsylvania, including Federal mutual savings banks in this Commonwealth existing under the laws of the United States and subject to the regulations of the Federal Home Loan Bank Board. In the event of future changes in such Federal law and regulation, the department may amend the regulations required by this subsection so as to assure that they continue to reflect the purpose of this section. A savings bank may at any time rescind its election by filing a notice with the department in such form as it may provide. The department shall promptly publish in the Pennsylvania Bulletin each such notice to rescind an election which shall be effective on the date of such publication or on such later date after publication as the savings bank may specify in its notice.]

Section 27. The act is amended by adding sections to read:

Section 515. Pledges for Deposits

(a) Types of deposits--A savings bank may pledge assets as security for deposits of:

(i) public funds,

(ii) funds of a pension fund for employes of a political subdivision of the Commonwealth,

(iii) funds for which a political subdivision of the Commonwealth or an officer or employe of the Commonwealth is the custodian or trustee pursuant to statute,

(iv) funds held by the Secretary of Banking as receiver or by the Insurance Commissioner as statutory liquidator,

(v) funds that are required to be secured by law or by an order of a court,

(vi) in the case of a savings bank with trust powers, funds held in a fiduciary capacity and deposited in its commercial department pursuant to section 403(c) of this act, and

(vii) funds held in a fiduciary capacity by a trust company that is an affiliate of the savings bank.

(b) Other deposits--A savings bank may not pledge assets as security for deposits other than those covered by subsection (a).

Section 516. Limits on Indebtedness of One Customer, Including Purchased Paper

(a) General limit--A savings bank shall not at any time acquire indebtedness of any one customer, which includes an individual or any legal entity, of the types specified in this section, in an amount which together with all other such indebtedness then held would exceed fifteen percent of the capital accounts of the savings bank. If the department determines at any time that the interests of a group of more than one individual, partnership, unincorporated association or corporation are so interrelated that they should be considered as a unit for the purpose of extensions of credit, the total indebtedness of that group acquired at any time shall

be combined and deemed indebtedness acquired from one customer in applying the limitation of this section. A savings bank shall not be deemed to have violated this section solely by reason of the fact that the indebtedness of a group then held exceeds the limitation of this section at the time of a determination by the department that the indebtedness of that group must be combined but the institution shall, if required by the department, dispose of indebtedness of the group in the amount in excess of the limitation of this section within such reasonable time as shall be fixed by the department.

(b) Indebtedness included--There shall be included in the indebtedness of one customer to which the fifteen percent limitation of this section applies:

(i) the aggregate rentals payable by the customer under leases of personal property by the savings bank,

(ii) to the extent that they exceed fifteen percent of the capital accounts of the savings bank, the aggregate balances payable on all installment paper acquired by the savings bank from the customer, irrespective of the legal liability of the customer or absence of such liability,

(iii) to the extent that they exceed fifteen percent of the capital accounts of the savings bank, obligations of the customer as indorser or guarantor of notes, other than those excluded by subsection (c)(ii), having a maturity of not more than six months and actually owned by the customer transferring the notes,

(iv) obligations of the customer by reason of acceptances by the savings bank of drafts or bills of exchange, other than those excluded by subsection (c)(v),

(v) all other liabilities, not otherwise excluded by this section, of the customer to the savings bank, whether direct or indirect, primary or secondary, under evidences of indebtedness and agreements for the payment of money, and

(vi) any credit exposure to a person arising from a derivative transaction, repurchase agreement, reverse repurchase agreement, securities lending transaction or securities borrowing transaction between the savings bank and the person.

(c) Indebtedness excluded--There shall be excluded from the indebtedness of one customer to which the fifteen percent limitation of this section applies:

(i) obligations in the form of negotiable drafts or bills of exchange that have been drawn in good faith against actually existing values in connection with the sale of goods and which have been accepted or indorsed,

(ii) obligations arising out of the discount of commercial or business paper actually owned by the customer transferring it,

(iii) obligations drawn in good faith against actually existing values and secured by goods in process of shipment,

(iv) obligations in the form of banker's acceptances of other banks,

(v) obligations of the customer by reason of acceptances by the savings bank for the customer's account, except to the extent that the savings bank acquires those acceptances,

(vi) obligations secured by documents of title covering:

(A) livestock,

(B) readily marketable nonperishable staples for a period of not more than ten months from the date of the document of title, or

(C) readily marketable frozen or refrigerated staples for a period of not more than six months from

the date of the document of the title if such property has a market value of not less than one hundred fifteen percent of the amount of the obligation secured thereby and is fully covered by insurance,

(vii) obligations of, and obligations guaranteed by:

(A) the United States,

(B) the Commonwealth of Pennsylvania or a state where the savings bank lawfully maintains branches, a political subdivision of the Commonwealth or such state, a public body of the Commonwealth or such state or a public body of a political subdivision of the Commonwealth or such state, or

(C) any state of the United States or any political subdivision of the United States if the obligations or guarantees are general obligations,

(viii) obligations to the extent secured by:

(A) obligations specified in clause (vii) of this subsection,

(B) obligations that the savings bank would be authorized to acquire without limit as investment securities pursuant to section 504,

(C) obligations fully guaranteed by the United States,

(D) guaranties, commitments or agreements to take over or purchase made by any department, bureau, board, commission or establishment of the United States or any corporation owned directly or indirectly by the United States, or

(E) loan agreements between a local public agency or a public housing agency and an instrumentality of the United States pursuant to national housing legislation under which funds will be provided for payment of the obligations secured by those loan agreements;

(ix) obligations secured by:

(A) at least a like amount of cash surrender value of life insurance policies, or

(B) collateral that has a market value of not less than one hundred twenty percent of the amount of the obligations secured thereby to the extent of fifteen percent of the aggregate of the capital accounts of the institution;

(x) investment securities acquired pursuant to section 504;

(xi) obligations of the kind covered by subsection (b)(ii) of this section, as to which there is a certificate of reliance on a primary obligor;

(xii) obligations of the customer as to which there is a certificate of reliance on an obligor other than the customer;

(xiii) transactions of the savings bank in connection with the sale of reserve balances to a member or nonmember bank; and

(xiv) an assignment of funds on deposit in the lending savings bank.

(d) Regulation--The department may by regulation not inconsistent with the provisions of this section and section 1414(c) prescribe definitions of and requirements for transactions included in or excluded from the indebtedness to which the fifteen percent limitation of this section applies.

(e) Definitions--As used in this section, the following words and phrases shall have the meanings given to them in this subsection:

"Capital accounts"--the aggregate of capital, surplus, undivided profits, capital securities and reserve for loan losses of the savings bank. Reserve for loan losses shall mean that portion of a savings bank's earnings set aside as a general reserve to absorb possible future losses on loans as of the last complete calendar or fiscal year, carried in an account captioned "reserve for loan loss" or "reserve for bad debts."

"Derivative transaction"--any transaction that is a contract, agreement, swap, warrant, note or option that is based, in whole or in part, on the value of, any interest in or any quantitative measure or the occurrence of any event relating to, one or more commodities, securities, currencies, interest or other rates, indices or other assets.

Section 28. Section 601 of the act, amended May 21, 1980 (P.L.173, No.51), is 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[,] **and** a private bank [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 29. Section 605 of the act is amended to read:

Section 605. Tentative Trusts

(a) An institution may receive deposits in an account in the names of one or more individuals described as trustees:

(i) for an individual or for [two individuals jointly or for two individuals successively, for the first if he survives all of the named depositors and for the second if he does not] **multiple individuals jointly or successively**, or

(ii) for a non-profit organization without any notice of the existence or of the terms of a trust other than such description.

(b) Upon receipt of satisfactory proof of death of the individual described as trustee, or of all of the individuals described as trustees, in such account, the institution shall pay the balance of the account and all interest thereon upon the check, order or receipt:

(i) if the account is stated to be held in trust for one beneficiary, of such beneficiary;

(ii) if the account is stated to be held in trust for [two] **multiple** individuals jointly, of [both] **all** of such individuals or, upon satisfactory proof of death of one of them prior to the death of all the named depositors, of the survivor, if the arrangement previously agreed upon between the institution and the named depositors so provides; or

(iii) if the account is stated to be held in trust for [two] **multiple** individuals successively, of the individual first named as the beneficiary, or, upon satisfactory proof of his death prior to the death of all the named depositors, of the **successive** individual for whom the account is stated to be held in trust in the alternative;

and, in the event any individual to whom such account is payable is a minor, may make payment to the minor without the assent of a parent or guardian, unless expressly provided otherwise in the deposit arrangement, and with the same effect as though the minor were an adult.

Section 30. Section 902 of the act, amended July 2, 1992 (P.L.364, No.77), is amended to read:

Section 902. Authorized Offices

(a) General rule--Except as provided in subsection (b), an institution may not maintain any office for the conduct of its business other than:

(i) its principal place of business designated in its articles, or in the case of a private bank in its certificate of authorization [or in the case of an employes' mutual banking association in a certificate issued by the department],

(ii) branches authorized prior to the effective date of this act or authorized pursuant to this act, and

(iii) offices, agencies and other places of business which do not constitute branches as defined in this act.

(b) Affiliates--An institution may establish and operate as a branch, any principal place of business or branch of an affiliated State or national bank, savings bank, Federal savings bank, State savings association or Federal savings and loan association upon written approval by the department of an application for approval in a form prescribed by the department accompanied by any applicable fee. The department may issue regulations under this subsection; however, the absence of regulations shall not be a bar to consideration by the department of an application filed under this subsection nor a basis for denial of such an application.

(c) Institutions as agents for affiliates--

(i) Any institution that is a subsidiary of a bank holding company may receive deposits, renew time deposits, close loans, service loans and receive payments on loans and other obligations as an agent for an institution affiliate.

(ii) Notwithstanding any other provision of law, an institution acting as an agent in accordance with paragraph (i) for an institution affiliate shall not be considered to be a branch of the affiliate.

(iii) An institution may not--

(A) conduct any activity as an agent under paragraph (i) which the institution is prohibited from conducting as a principal under any applicable Federal or State law or order, or

(B) as a principal, have an agent conduct any activity under paragraph (i) which the institution is prohibited from conducting under any applicable Federal or State law or order.

(iv) No provision of this subsection may be construed as affecting--

(A) the authority of any institution to act as an agent on behalf of any other institution under any other provision of law, or

(B) whether an institution that conducts any activity as an agent on behalf of any other institution under any other provision of law shall be considered to be a branch of such other institution.

(v) An agency relationship between institutions under paragraph (i) shall be on terms that are consistent with safe and sound banking practices and all applicable regulations or orders of any appropriate Federal or State banking regulator.

Section 31. Section 904 of the act, amended July 6, 1995 (P.L.271, No.39), is amended to read:

Section 904. Authorization of New Branches

(a) General rule--An institution may establish and maintain:

(i) branches maintained on the date of these amendments;

(ii) branches acquired from a predecessor in a merger, consolidation or conversion; and

(iii) branches established with the prior written approval of the department after the filing of an application for approval in a form prescribed by the department accompanied by any applicable fee and after investigation by the department, except that department approval shall not be required for national banks **or Federal savings associations.**

[(b) Reciprocity condition--A banking institution existing under the laws of another jurisdiction may not establish a branch in this Commonwealth unless the laws of the state where it is located would permit an institution chartered under the laws of this Commonwealth or a national bank located in this Commonwealth to establish and maintain a branch in such other state on substantially the same terms and conditions.

(c) Savings banks--A savings bank may establish and maintain branches within any county of this Commonwealth or within any state of the United States or the District of Columbia, subject to the written approval of the department upon an application for approval in a form prescribed by the department accompanied by any applicable fee and after investigation by the department.]

Section 32. Section 905(a) and (e) of the act are amended to read:

Section 905. Approval of Branch by Department

(a) Investigation and discretionary hearings--Upon receipt of an application for approval of a branch which satisfies the requirements of this act, the department shall conduct such investigation as it may deem necessary and, in its discretion, may hold hearings before the department [or before the Banking Board].

* * *

(e) Discontinuance of branch--An institution may, pursuant to a resolution of its board of directors or trustees or, in the case of a private bank, its owners, and with [the] prior written [approval of] **notice to** the department, discontinue the operation of a branch [upon such prior public notice of at least thirty days as the department shall prescribe]. The institution shall deliver to the department a certificate of the discontinuance of the branch in a form prescribed by the department.

* * *

Section 33. Section 907(b) and (c) of the act, amended July 23, 1970 (P.L.597, No.199) and November 22, 2000 (P.L.660, No.89), are amended to read:

Section 907. Branches Outside Pennsylvania

* * *

(b) An institution may **establish and** maintain an office outside the states of the United States with the prior written approval of the department and subject to an agreement satisfactory to the department providing for the times, method and reimbursement of expenses of examination of such branch. At any such branch, an institution shall have the power (without regard to other provisions of this act) to engage in any business or any activity permitted by applicable Federal law and regulations.

(c) An institution may **establish and** maintain branches in any other state, the District of Columbia or a territory or possession of the United States upon receiving the prior written approval of the department after filing an application and

paying a fee to the department in a form and amount prescribed by the department, except no approval is required for national banks or Federal savings associations under this subsection.

Section 34. Section 908 of the act, amended July 6, 1984 (P.L.621, No.128), is repealed:

[Section 908. Branches Acquired from the Receiver of a Closed Institution or from an Institution in Danger of Closing

Any institution or national bank whose principal place of business is located in Pennsylvania may maintain as a branch any office which it acquires from an institution or national bank in danger of closing or from the secretary, or public body of the United States, as receiver, in conjunction with an assumption of deposit liabilities of an institution or national bank in danger of closing or a closed institution or national bank whether in connection with a purchase of assets, through a merger or consolidation or otherwise, without regard to the location of the principal place of business of the acquiring institution or national bank. The secretary or comptroller of the currency, as appropriate, shall determine whether an institution is in danger of closing and the secretary may make such a determination only where the board of directors or trustees of the institution have specified in writing that the institution is in danger of closing. Until such time as an institution may establish branches within any county in the Commonwealth, a branch office acquired under the authority of this section may be relocated within the same county but shall not be moved to a new location in a contiguous or bicontiguous county unless that county is also contiguous or bicontiguous to the county of the principal place of business of the acquiring institution or national bank.]

Section 35. Section 1004(b)(ii) of the act, amended December 18, 1986 (P.L.1702, No.205), is amended to read:

Section 1004. Articles of Incorporation

* * *

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

* * *

(ii) the location and post office address of its principal place of business, **which shall be located within this Commonwealth**;

* * *

Section 36. Section 1010(b)(i) of the act, amended April 8, 1982 (P.L.262, No.79), is amended to read:

Section 1010. Certificate of Authorization to Do Business

* * *

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

(i) except in the case of a mutual savings bank, capital of the institution shall have been fully paid in, in an amount specified by the department [and in no event less than the minimum capital for the institution under the provisions of section 1102] and, in addition, there shall have been paid in:

(A) surplus in an amount not less than fifty percent of the capital paid in,

(B) an expense fund in an amount fixed by the department at not less than five percent of the capital paid in, and

(C) the proceeds of capital securities, if any, which were considered part of the capital structure of the institution by the department under section

1007(a)(vi) in giving its approval of the proposed institution;

* * *

Section 37. The act is amended by adding a section to read:

Section 1012. Organization as a Limited Liability Company

(a) General rule--Subject to any conditions or restrictions as determined by the department, a bank, bank and trust company, trust company or savings bank may be organized as a limited liability company pursuant to 15 Pa.C.S. Ch. 89 (relating to limited liability companies) in order to conduct the business of a bank, bank and trust company, trust company or savings bank subject to this act.

(b) Conflicts--In the event of a conflict between this act and 15 Pa.C.S. Ch. 89 in relation to the conduct of the affairs of an institution, the two statutes shall be construed together, if possible, as one statute. In the event of any unresolvable conflict, this act shall control as determined by the department.

Section 38. Section 1102(b) of the act, amended April 8, 1982 (P.L.262, No.79), is amended to read:

Section 1102. Minimum Capital

* * *

(b) New institutions--[The minimum capital of an] **An** institution which is incorporated pursuant to this act, or [of a bank which becomes a bank and trust company pursuant to this act, or of a stock savings bank which is converted from a mutual savings bank pursuant to this act, shall depend upon the population, according to the last United States census, of the city, incorporated town, borough or township where its principal place of business is located and shall be as follows:

Population of Location of Principal Place of Business	Bank	Bank and Trust Company or Trust Company
Less than 6,000	$ 50,000	$150,000
6,000 to 50,000	$100,000	$200,000
More than 50,000	$200,000	$300,000]

an institution that becomes subject to this act due to a conversion, shall establish and maintain minimum capital in an amount specified by the department.

Section 39. Section 1202(f)(i) of the act, amended December 18, 1986 (P.L.1702, No.205), is amended to read:

Section 1202. Classes of Shares

* * *

(f) Filing of statement affecting class or series of shares--Before any institution shall issue any shares of any class or any series of any class of which the designations, preferences, qualifications, privileges, limitations, redemption provisions, options, conversion rights and other special rights, if any, shall not have been set forth in the articles but shall be provided for in a resolution or resolutions adopted by the board of directors pursuant to authority expressly vested in it by the articles, the institution shall:

(i) file with the department a statement executed [under the seal of the institution and signed] by two duly authorized officers of the institution, setting forth:

(A) the name of the institution,

(B) the resolution establishing and designating the class or series and fixing and determining the relative rights and preferences thereof,

(C) the aggregate number of shares of such class or series established and designated by:

(I) such resolution,

(II) all prior statements, if any, filed under this act with respect thereto, and

(III) any other provision of the articles,

(D) the date and manner of the adoption of such resolution, and

* * *

Section 40. Sections 1205(b) and 1302(a) and (c) of the act are amended to read:

Section 1205. Share Certificates

* * *

(b) Execution--Every share certificate shall be signed by the president and secretary or by such officers as the by-laws may provide [and sealed with the corporate seal which may be a facsimile, engraved or printed], but if the certificate is signed by a transfer agent or a registrar, the signature of any officer of the institution on the certificate may be a facsimile, engraved or printed.

* * *

Section 1302. Cash Dividends

(a) Authorized dividends--The board of directors of an institution may, from time to time, declare, and the institution may pay, dividends on its outstanding shares subject to the restrictions of this act and to the restrictions, if any, in its articles. Dividends may be declared and paid [only] out of accumulated net earnings **of the institution or accumulated net earnings acquired as a result of a merger and transferred to surplus, if used within seven years of the date of merger**, and may be paid in cash or property other than its own shares.

* * *

(c) Fund for dividends after merger, consolidation or conversion--In determining the accumulated net earnings of an institution which has been the resulting institution in a merger, consolidation or conversion, the accumulated net earnings immediately prior to the merger, consolidation or conversion of each institution and national bank **or Federal savings bank** which was a party to the merger or consolidation or of the national bank **or Federal savings bank** which converted into the institution may, to the extent not transferred to capital or surplus of the resulting institution, be carried forward as accumulated net earnings of the resulting institution.

Section 41. Section 1306(b) of the act, amended December 18, 1986 (P.L.1702, No.205), is amended to read:

Section 1306. Redemption and Acquisition of Redeemable Shares; Statement of Reduction of Authorized Shares

* * *

(b) Shares subject to redemption which are redeemed or otherwise acquired shall be canceled and shall not be reissued. Immediately upon the redemption or other acquisition, the institution shall deliver to the department a statement of reduction of authorized shares which shall be signed by two duly authorized officers [under its seal] and shall set forth:

(i) the aggregate number of shares of each class which the institution had authority to issue and the number of issued shares of each class,

(ii) the number of shares of each class subject to redemption which have been canceled,

(iii) the aggregate number of shares of each class which the institution has authority to issue after giving effect to the reduction made by such cancellation, and

(iv) the provisions of the articles of the institution which are to be changed by reason of the reduction of authorized shares.

If the Department of Banking finds that the statement conforms to law it shall deliver the statement with its written approval to the Department of State for filing. Receipt thereof by the Department of State shall have the effect of amending the articles of the institution to the extent of the changes set forth in the statement. The Department of State shall make and retain a copy of the statement and shall send the approved statement to the institution.

Section 41.1. Section 1403 of the act, amended or added April 8, 1982 (P.L.262, No.79), December 21, 1988 (P.L.1416, No.173) and July 6, 1995 (P.L.271, No.39), is amended to read:

Section 1403. Number, Qualifications and Eligibility of Directors or Trustees

(a) Number--The by-laws may fix the number of trustees of a savings bank at not less than five. The by-laws of any other institution may fix the number of directors at not less than five or more than twenty-five and may provide that the board may, within such limitation, increase the number of directors by not more than two in any one year.

(b) Qualifications--Each director or trustee shall be a citizen of the United States except that the department may waive the requirement of citizenship for one or more directors or trustees by written approval imposing any conditions which it may deem appropriate, including, but not limited to, consent to service of process.

(c) Ineligibility--No individual may be a director or trustee who is at the same time:

(i) a judge of a court of record in this Commonwealth, except a trustee of a savings bank, or a person lawfully serving as director of an institution at the time he becomes judge, or a director of a resulting institution who was lawfully serving as director of a party to a merger, consolidation, or conversion,

(ii) The holder of an office in the Department of Banking, the Treasury Department, the Auditor General's Department or the Department of Revenue of this Commonwealth, [or] **except a trustee of a savings bank, or a person lawfully serving as director of an institution at the time he becomes Auditor General ,**

(iii) In the case of a trustee of a savings bank, an officer, employe or trustee of another savings bank[.],

(iv) An auditor conducting any audit of the institution provided for in section 1407 or otherwise under the laws of this Commonwealth, or

(v) An auditor or examiner with the Office of Comptroller of the Currency, Federal Deposit Insurance Corporation, Consumer Financial Protection Bureau, or a Federal Reserve Bank, who has responsibility for any safety and soundness examination, Bank Secrecy Act examination or consumer compliance examination of any institution subject to this act.

(d) Authorization--Subject to the provisions of this act:

(i) No more than two trustees of a savings bank may serve at the same time as directors of a trust company which does not make real estate mortgage loans and does not accept savings deposits from persons.

(ii) No more than two directors of a trust company which does not make real estate mortgage loans and does not accept

savings deposits from persons may serve at the same time as trustees of a savings bank.

Section 42. Section 1407(a) of the act, amended July 30, 1975 (P.L.108, No.56), is amended to read:

Section 1407. Audits and Reports by Directors or Trustees; Accountants; Internal Auditors

(a) Annual audit--Except as provided in subsection (c) of this section, the board of directors or trustees shall at least once each year have made, by certified public accountants selected by the institution and satisfactory to the department, an audit of the books and affairs of the institution including such matters as may be required by the department and including, in the case of a bank and trust company, **a savings bank** or a trust company, [if required by the department,] accounts held in a fiduciary or other representative capacity. The department may by regulation establish minimum standards for audits and reports under this subsection (a).

* * *

Section 43. Section 1413(a) of the act, amended May 21, 1980 (P.L.173, No.51), is amended to read:

Section 1413. Prohibitions Applicable to Directors, Trustees, Officers, Employes and Attorneys

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

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

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

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

* * *

Section 44. Section 1417 of the act, added June 16, 1994 (P.L.346, No.51), is repealed:

[Section 1417. Indemnity and Immunity of Certain Directors

(a) Indemnity--

(i) The department shall have the power and its duty shall be to procure, on behalf of the members of the board of directors of special institutions as defined in section 102(z.1)(i), directors' liability insurance or such other contract of insurance providing for the indemnification of these directors against any liability asserted against them or incurred by them solely in their capacity or arising out of their status as directors, including actions undertaken in connection with the organization of the special institution.

(ii) The department shall have the power and its duty shall be to procure, on behalf of the members appointed by the Governor of the board of directors of special institutions as defined in section 102(z.1)(ii), directors' liability insurance or such other contract of insurance providing for the indemnification of these directors against any liability asserted against them or incurred by them solely in their capacity or arising out of their status as directors, including actions undertaken in connection with the organization of the special institution.

(iii) The department is authorized to provide otherwise for indemnification under this subsection in lieu of directors' liability insurance.

(iv) Indemnification under this subsection includes, but is not limited to, expenses and fees incurred in defending any action or proceeding relating to their status as directors.

(b) Immunity--Notwithstanding any other provision of law to the contrary, the directors of a special institution shall be deemed to be Commonwealth employes subject to and for all of the purposes of 42 Pa.C.S. Ch. 85 (relating to matters affecting government units). The immunity conferred under this subsection shall apply to all actions of the directors in accordance with subsection (a), including actions undertaken in connection with the organization of the special institution.

(c) Applicability--This section shall apply to all actions taken as members of the board of directors in accordance with subsection (a) prior to the effective date of this section.]

Section 45. The act is amended by adding a section to read:

Section 1418. Standard of Care and Justifiable Reliance

Directors and officers of an institution shall be subject to the provisions of 15 Pa.C.S. § 512 (relating to standard of care and justifiable reliance) in the performance of their duties.

Section 46. Section 1504(a) of the act, amended April 8, 1982 (P.L.262, No.79), is amended to read:

Section 1504. Articles of Amendment

(a) Upon the adoption of an amendment, articles of amendment shall be signed by two duly authorized officers of the institution [under its seal] and shall contain:

(i) the name of the institution,

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

(iii) the act of Assembly under which the institution was incorporated and the date of its incorporation.

(iv) the time and place of the meeting of shareholders or trustees at which the amendment was adopted and the kind and period of notice given to the shareholders or trustees,

(v) except in the case of a mutual savings bank, the number of shares entitled to vote on the amendment and if the shares of any class are entitled to vote as a class, the number of shares of each such class,

(vi) in the case of a mutual savings bank the number of trustees who voted for and against the amendment and, in any other case, the number of shares voted for or against the amendment and if shares of any class are entitled to vote as a class, the number of shares of each such class voted for and against the amendment, and

(vii) the amendment adopted which shall be set forth in full.

* * *

Section 47. Section 1601 of the act, amended December 18, 1986 (P.L.1702, No.205), is amended to read:

Section 1601. Application of Chapter

This chapter shall apply to, and the word "institution" in this chapter shall mean, an incorporated institution[, except that section 1610 shall apply to a national bank as provided therein].

Section 48. Section 1602(a) of the act, amended July 6, 1995 (P.L.271, No.39), is amended to read:

Section 1602. Authority to Merge or Consolidate

(a) Upon compliance with the requirements of this chapter one or more institutions and one or more national banks, **Federal savings banks** and interstate banks, without regard to whether any such interstate bank maintains branches in this Commonwealth at the time of a merger or consolidation, may merge or consolidate into a national bank **or Federal savings bank** and, with the approval by the department, may merge **with or** into an institution or consolidate into a new institution **or merge a nonbank subsidiary into an institution, provided that the institution can engage in activities conducted by the subsidiary as principal,** except that a trust company may enter into a merger or consolidation only with another trust company, **a bank and trust company, a national bank or a Federal savings bank which has fiduciary powers** or a stock savings bank under section 1609.

* * *

Section 49. Section 1603(f) of the act is amended to read:

Section 1603. Requirements for a Merger or Consolidation

The requirements for a merger or consolidation which must be satisfied by the parties thereto are as follows:

* * *

(f) Articles of merger or consolidation--The articles of merger or consolidation shall be signed by two duly authorized officers of each party to the plan [under their respective seals] and shall contain:

(i) the names of the parties to the plan and of the resulting institution,

(ii) the location and post office address of the principal place of business of each,

(iii) the votes by which the plan was adopted and the time, place and notice of each meeting in connection with such adoption,

(iv) the names and addresses of the first directors or trustees of the resulting institution,

(v) in the case of a merger, any amendment of the articles of the resulting institution,

(vi) in the case of a consolidation, the provisions required in articles of incorporation of a new institution by clauses (iii), (iv), (v), (viii) and (ix) of subsection 1004(b) of this act, and

(vii) the plan.

* * *

Section 50. Section 1609(a), (b), (c), (e), (f), (g) and (i) of the act, amended April 8, 1982 (P.L.262, No.79), December 18, 1986 (P.L.1702, No.205) and June 16, 1994 (P.L.346, No.51), are amended to read:

Section 1609. Mergers, Consolidations and Conversions of Savings Banks

(a) Authority to merge, consolidate or convert--

(i) upon compliance with the requirements of sections 1602, 1603, 1604, 1605 and 1606, a savings bank may enter into a merger or consolidation with one or more other savings banks. In the event the book value of the total assets of the acquired savings bank is less than one percent in excess of the book value of the total liabilities, the resulting institution may maintain as a branch, any office operated by the acquired institution.

(ii) upon compliance with the requirements of this section and other applicable law, one or more savings banks and one or more associations may merge into a savings bank [or into an association] or consolidate into a new savings bank [or a new association]. The word "association" in this

chapter shall mean an association subject to the Savings Association Code of 1967.

(iii) upon compliance with the requirements of this section and other applicable law,

(A) one or more savings banks, one or more Federal savings banks and one or more Federal savings and loan associations may merge into a savings bank, Federal savings bank or a Federal savings and loan association or consolidate into a new savings bank, a new Federal savings bank or a new Federal savings and loan association, **and**

[(B) one or more savings banks may merge or consolidate with a regional thrift institution, and, after March 4, 1990, with a foreign thrift institution, as those terms are defined in and subject to any applicable limits of section 117, and]

(C) a business corporation which owns all of the issued and outstanding shares of a savings bank may merge into such savings bank.

(iv) the authority of a savings bank to merge or consolidate into a Federal savings bank or 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 bank or Federal savings and loan association to merge or consolidate into a savings bank.

(v) upon compliance with the requirements of this section and other applicable law,

[(A) a savings bank may be converted into an association,]

(B) a savings bank may be converted into a Federal savings bank or a Federal savings and loan association, subject to the condition that at the time of the transaction the laws of the United States shall authorize a Federal savings bank or a Federal savings and loan association to convert into a savings bank, or

(C) an association may convert to a savings bank. [An association whose deposits were insured by the Pennsylvania Savings Association Insurance Corporation prior to conversion may maintain all existing branches operating at the time application for conversion is made if the application is made within ninety days of the effective date of this subclause.]

(vi) upon compliance with the requirements of this section and other applicable law and subject to the laws of the United States, a Federal savings bank or a Federal savings and loan association may be converted into a savings bank [or an association].

(vii) upon compliance with the requirements of this section, a mutual savings bank may be converted into a stock savings bank. A stock savings bank shall have authority, upon compliance with the requirements of this section, to enter into a merger or consolidation with one or more other stock savings banks, banks, national banking associations, bank and trust companies, trust companies or stock savings and loan associations.

(viii) all mergers, consolidations and conversions in which the resulting corporation is a savings bank [or an association] shall be subject to the approval of the department.

(ix) upon compliance with the requirements of 12 CFR Pt. 708a (relating to bank conversions and mergers), other

applicable law and this section, a Federal or State credit union may convert to a mutual savings bank.

(x) upon compliance with the requirements of this section and other applicable law,

(A) a bank or bank and trust company may be converted into a stock savings bank, provided, in the case of a bank and trust company, that the resulting savings bank will have fiduciary powers, or

(B) a savings bank may be converted into a bank or a bank and trust company.

(b) Requirements for a merger, consolidation or conversion--The requirements for a merger, consolidation or conversion under clauses (ii), (iii), (v), (vi) [or (vii)], **(vii), (ix) or (x)** of subsection (a) which must be satisfied by the parties thereto are as follows:

(i) 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, depositors and shareholders, if any, of each of the parties, and any agreement concerning the merger or consolidation.

(ii) if the proposed merger, consolidation or conversion will result in a Federal savings bank, a savings bank[,] **or** a Federal savings and loan association [or an association], adoption of the plan by each party thereto shall require the affirmative vote,

(A) in the case of a mutual savings bank, of at least two-thirds of the trustees present at a meeting at which the plan is proposed, and two-thirds of all the trustees at a subsequent meeting held upon not less than ten days' notice to all the trustees,

(B) in the case of a stock savings bank, of at least a majority of the trustees, at a meeting held upon not less than ten days' notice to all the trustees, and of the shareholders entitled to cast at least two-thirds of the votes which all shareholders are entitled to cast thereon, at a meeting held upon not less than ten days' notice to all shareholders,

(C) in the case of a Federal savings bank, a Federal savings and loan association or an association, of two-thirds of the entire membership of the board of directors,

(D) in the case of any other party, such vote as is required by law for merger, consolidation or conversion, and

(E) in the case of the notice required to be given to the trustees of a savings bank and to the shareholders of a stock savings bank shall include a copy or summary of the plan. The department may require such vote of the members of an association as it deems proper.

(iii) 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.

(iv) if a proposed merger, consolidation or conversion will result in a savings bank [or an association], 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:

(A) articles of merger, consolidation or conversion,

(B) applicable fees payable to the department in connection with the articles and with the conduct of the investigation required by subsection (e),

[(C) if the resulting corporation is an association, any documents or other items required under the Savings Association Code of 1967.]

(D) if the proposed name of the resulting savings bank [or association] 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

(E) 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.

(v) if a proposed merger, consolidation or conversion will result in a national banking association, all requirements of the applicable Federal law shall be met.

(c) Articles of merger, consolidation or conversion--The articles of a merger, consolidation or conversion under clauses (ii), (iii), (v), (vi) [or (vii)], **(vii), (ix) or (x)** of subsection (a) shall be signed by two duly authorized officers of each party to the plan [under their respective seals] and shall contain:

(i) the names of the parties to the plan and of the resulting savings bank [or association],

(ii) the location and post office address of the principal place of business of each,

(iii) the votes by which the plan was adopted and the time, place and notice of each meeting in connection with such adoption,

(iv) the names and addresses of the first trustees of the savings bank [or the names and addresses of the first directors of the resulting association],

(v) in case of a merger, any amendment of the articles of the resulting savings bank [or association],

[(vi) if the resulting corporation is an association, a record of the employment contracts which are to be legally binding on the resulting association,]

(vii) in the case of a consolidation, the provisions required in articles of incorporation of a new savings bank [or association] as the case may be,

(viii) in the case of a conversion, the provisions required in the articles of incorporation of a new savings bank [or association] as the case may be,

(ix) the plan.

* * *

(e) Approval of merger, consolidation or conversion by department--

(i) upon receipt of an application for approval of a merger, consolidation or conversion under clauses (ii), (iii), (v), (vi) [or (vii)], **(vii), (ix) or (x)** of subsection (a) and of the supporting items required by clause (iv) of subsection (b), the department shall conduct such investigation as it may deem necessary to ascertain whether:

(A) the articles of merger, consolidation or conversion and supporting items satisfy the requirements of this act[, and if the Savings Association Code of

1967 is applicable, the requirements of that act are satisfied],

(B) the name of the resulting, new or converted savings bank [or association] conforms with the requirements of law,

(C) the plan and any modification thereof adequately protect the interests of depositors, other creditors and shareholders, if any, of a savings bank which is a party to the plan,

(D) the requirements for a merger, consolidation or conversion under all applicable laws have been satisfied and the resulting corporation would satisfy the requirements of this act applicable to it, and

(E) the merger, consolidation or conversion would be consistent with adequate and sound banking and in the public interest on the basis of

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

(2) their prospects,

(3) the character of their management,

(4) the potential effect of the merger, consolidation or conversion on competition, and

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

(ii) within sixty days after receipt of the application, articles of merger, consolidation or conversion and the applicable fee payable to the department, or within an additional period of not more than thirty days an 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.

(f) Procedure after approval by department; issuance of certificate of merger, consolidation or conversion--

(i) 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 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 of Banking 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 of Banking and shall notify the parties to the plan.

(ii) if all the taxes, fees and charges required by law shall have been paid and if the name of the resulting savings bank [or 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 of Banking 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 of Banking. The Department of State shall issue to the resulting corporation 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.

(g) Effect of merger, consolidation or conversion--

(i) 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.

(ii) 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 bank [or association], except as against the Commonwealth.

(iii) when a merger, consolidation or conversion becomes effective, the existence of each party to the plan, except the resulting savings bank [or association], 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 bank [or association] and which shall have without further act or deed, all the property, rights, powers, duties and obligations of each party to the plan.

(iv) the articles of the resulting savings bank [or association] 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.

(v) 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 this act, except that it may engage in any business and exercise any right that any party to the plan which was an institution subject to this act could lawfully exercise or engage in immediately prior to the merger, consolidation or conversion. [If the resulting corporation shall be a savings association such association shall have the authority to engage thereafter only in such business and exercise only such powers as it would have under original incorporation under the Savings Association Code of 1967.]

(vi) no liability of any party to the plan or of its trustees, officers, members or directors 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.

* * *

[(i) Review of approval of a merger, consolidation or conversion that results in a stock savings bank--The department's approval of a merger, consolidation or conversion that results in a stock savings bank shall not be reviewable except by an appeal to the Commonwealth Court filed within twenty days after notice of the approval appears in the Pennsylvania Bulletin. In any such appeal, the department's determination that the plan adequately protects the interests of depositors of a mutual savings bank which is a party to the plan shall be conclusive if:

(i) such depositors are given a preemptive right to buy shares of the stock savings bank at fair market value or at the price at which shares are sold to the public in a public offering in connection with the conversion, or

(ii) such depositors are not given a preemptive right to buy shares by reason of the determination referred to in subsection (j) of this section, and the plan makes available to the savings bank significant additional funds which are junior in right to the deposits.]

* * *

Section 51. Section 1610(g) of the act, added December 18, 1986 (P.L.1702, No.205), is amended to read:

Section 1610. Right of Shareholders to Receive Payment for Shares Following a Control Transaction

* * *

[(g) Application--Subsections (a) through (f) shall apply to any national bank located in Pennsylvania unless such application is in conflict with an express provision of the national banking laws.]

Section 52. Section 1701 of the act is amended to read:

Section 1701. Application of Chapter

This chapter shall apply to, and the word "institution" in this chapter shall mean, a bank [and], a bank and trust company **and a trust company.**

Section 53. Section 1704 of the act, amended July 6, 1995 (P.L.271, No.39), is amended to read:

Section 1704. Articles of Conversion

The articles of conversion shall be signed by two duly authorized officers of the national bank or interstate bank [under its seal] and shall contain:

(a) its name and the name of the resulting institution,

(b) the location and post office address of its principal place of business,

(c) the votes by which the plan of conversion 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 institution,

(e) the provisions required in articles of incorporation of a new institution by clauses (iii), (iv), (v), (viii) and (ix) of subsection 1004(b) of this act, and

(f) the plan of conversion.

Section 54. Sections 1802(a), 1804(a) and 1806(a) of the act are amended to read:

Section 1802. Voluntary Dissolution Prior to Commencement of Business

(a) Articles of dissolution--An institution 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 the holders of two-thirds of its shares and by delivering to the department articles of dissolution which shall be executed by two duly authorized officers or shareholders [under the seal of the institution] and which shall contain:

(i) the date of incorporation of the institution,

(ii) a statement that it has not transacted any business for which a certificate of authorization is required under this act,

(iii) a statement that all liabilities of the institution have been paid or provided for,

(iv) a statement that all amounts received on account of capital, surplus and expense fund, less amounts disbursed for expenses, have been returned to the persons entitled thereto, and

(v) the number of shares entitled to vote on the dissolution and the number of shares voted for and against it respectively.

* * *

Section 1804. Certificate of Election for Voluntary Dissolution

(a) Contents of certificate--Immediately after the adoption and approval of a plan of dissolution under section 1803 of this act or, if the plan provides for continuance of the business of the institution unless an assumption of its liabilities becomes effective, immediately after such assumption becomes effective, the institution 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:

(i) the name of the institution,

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

(iii) the name and address of its officers and directors, and

(iv) the number of shares entitled to vote on the plan of dissolution and the number of shares voted for and against the plan, respectively, and, if the shares of any class are entitled to vote as a class, the number of shares of such class and the number of shares of all other classes voted for or against the plan, respectively.

* * *

Section 1806. Articles of Dissolution

(a) Contents--When all the liabilities of the institution have been discharged and all of its remaining assets have been distributed to its shareholders pursuant to section 1805, articles of dissolution shall be signed by two duly authorized officers of the institution [under its seal] and shall contain:

(i) the name of the institution and the post office address of its principal place of business,

(ii) a statement that the institution has previously delivered a certificate of election to dissolve to the Department of Banking and the date on which the approved certificate was filed in the Department of State,

(iii) a statement that all liabilities of the institution have been discharged and that the remaining assets of the institution have been distributed to its shareholders, and

(iv) a statement that there are no suits pending against the institution.

* * *

Section 55. The heading of Chapter 20 of the act, amended December 17, 1982 (P.L.1367, No.313), is repealed:

[CHAPTER 20
PROVISIONS APPLICABLE TO DEPARTMENT OF BANKING]

Section 56. Sections 2001 and 2002 of the act, amended July 6, 1995 (P.L.271, No.39), are repealed:

[Section 2001. Application of Chapter

This chapter shall apply to, and the word "institution" in this chapter shall mean, an institution subject to this act and an interstate bank except a national bank.

Section 2002. Examinations and Reports

(a) Frequency and scope of examinations--The department shall examine all institutions at least once every two calendar years and may examine any institution more frequently and at any time it deems such action necessary or desirable for protection of depositors, other creditors or shareholders. The examination shall include a review of the accounts, records and affairs of the institution, its compliance with law, such other matters as the department may determine and in the case of a bank and trust company or a trust company a review of accounts held in

a fiduciary or other representative capacity. In the case of an interstate bank, the department may accept, in lieu of any examination required by this section and any report required by the act of May 15, 1933 (P.L.565, No.111), known as the "Department of Banking Code," examinations and reports made pursuant to the banking laws of the jurisdiction under which the interstate bank exists, or examinations and reports which it accepts under subsection (b) and, in its discretion, may make such examinations and require such reports of Pennsylvania operations of the interstate bank as it deems appropriate.

(b) Federal agencies--In the case of an institution which is a member of the Federal Reserve System or in the case of an institution whose deposits are insured by the Federal Deposit 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 pursuant to the Federal Reserve Act or the Federal Deposit Insurance Corporation Act.

(c) Department of Banking Code--Except as modified by the provisions of this section, the provisions of the Department of Banking Code governing examinations, reports and enforcement powers of the department shall apply to institutions and interstate banks which are not national banks.

(d) Agreements--Notwithstanding any other laws of this Commonwealth, the Secretary of Banking may enter into cooperative, coordinating and information-sharing agreements with any other bank supervisory agencies with respect to the periodic examination or other supervision of any branch in this Commonwealth of an interstate bank or any branch of an institution existing under the laws of this Commonwealth located in another state. The Secretary of Banking may enter into joint examinations or joint enforcement actions with the other bank supervisory agencies having concurrent jurisdiction over an interstate bank or any branch of an institution existing under the laws of this Commonwealth.]

Section 57. Section 2003 of the act is repealed:

[Section 2003. Examination of Affiliates and Persons Performing Bank Services

For the purpose of determining the condition of an institution and information concerning it, the department may at any time examine an affiliate of an institution to the same extent that it may examine the institution under this act and the department of Banking Code and may at any time examine a person performing bank services for the institution to the extent provided in section 107(d).]

Section 58. Section 2004 of the act, amended April 8, 1982 (P.L.262, No.79), is amended to read:

Section 2004. Relationship of Institutions and Their Personnel with Officials and Employes of Department

(a) Loans and Gifts--[Except] **Notwithstanding the provisions of section 1114-A of the act of May 15, 1933 (P.L.565, No.111), known as the "Department of Banking Code," relating to conflicts of interests, and except** as provided in subsection (d) of this section, an institution or any director, trustee, officer, employe or attorney thereof shall not grant or give to the Secretary of Banking, any official or employe of the department, any deputy receiver or any employe of the Secretary of Banking as receiver, none of whom shall receive, any sum of money or any property as a gift or loan or otherwise, directly or indirectly--subject to the penalty provisions of this act. This subsection shall not apply to loans to employes of the Department of Banking who function in a clerical or nondecision

making capacity with regard to institutions, including but not limited to clerks, typists and stenographers.

(b) Interest in institutions--The Secretary of Banking, any official or employe of the department, any deputy receiver or any employe of the Secretary of Banking as receiver shall not hold any office or position in, have any direct or indirect pecuniary interest in, or directly or indirectly own shares or securities issued by, an institution, except that the Secretary of Banking may continue to own shares or securities issued by an institution which are owned by him on the date of his appointment and all shares or securities distributed by the institution and received by him on account of the shares or securities so owned--subject to the penalty provisions of this act.

(c) Disclosure of interest of Secretary of Banking--In the event of such ownership of shares or securities by the Secretary of Banking, he shall disclose the ownership, amount and date of acquisition of such shares or securities in writing to the Secretary of the Commonwealth immediately after his appointment and shall not during his term of office participate in any decision or take any action concerning an institution in which he owns such shares or securities other than actions or decisions generally applicable to institutions or classes of institutions. In the event of disqualification of the Secretary of Banking from participation in any decision or action for such reason, all authority vested in him by law shall for the purpose of such decision or action be exercised by the senior Deputy Secretary of Banking.

(d) Excepted transactions--The prohibitions of subsections (a) and (b) of this section shall not apply to either:

(i) 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, a deputy receiver or an employe of the Secretary of Banking as receiver, or

(ii) a deposit account with an institution of any such individual.

Section 59. Section 2005 of the act, amended July 9, 1992 (P.L.430, No.90), is repealed:

[Section 2005. Additional Powers of the Department of Banking

(a) Functions of department--The functions of the Department of Banking shall be:

(i) To exercise the power to remove from his office or position an officer, employe, director, trustee or attorney of an institution pursuant to the provisions of section 501 of the Department of Banking Code.

(ii) To exercise the power to suspend from his office or position an officer, employe, director, trustee or attorney of an institution if the Department of Banking serves written notice under section 501 of the Department of Banking Code to an institution, its officers, employe, director, trustee or attorney of the department's intention to issue an order under such clause. The department may suspend such party from office or prohibit such party from further participation in any manner in the conduct of the affairs of the institution if the department:

(A) determines that such action is necessary for the protection of the depository institution or the interests of the depository institution's depositors; and

(B) serves such party with written notice of the suspension order.

(b) Effect of order--Any suspension order issued under this section shall become effective upon service and, unless a court of competent jurisdiction issues a stay of such order, shall remain in effect and enforceable until the date the department dismisses the charges on the effective date of an order issued by the department under section 501 of the Department of Banking Code.]

Section 60. Sections 2102(a) and 2104 of the act are amended to read:

Section 2102. Penalties and Criminal Provisions Applicable to Directors, Trustees, Officers, Employes and Attorneys of Institutions

(a) Violations of sections 1413, 1416[,] **and** 1912 [and 2004 (a)]--A director, trustee, officer, employe or attorney of an institution who wilfully violates any of the provisions of sections 1413, 1416[,] **or** 1912 [or 2004 (a)] 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; and shall be subject to a further fine of a sum equal to:

(i) the amount of money or the value of the property which he receives for procuring or attempting to procure a loan or investment by the institution, in the case of a violation of section 1413 (a) (i) or of section 1912 (a) (i);

(ii) the amount by which his deposit account in the institution is overdrawn, in the case of a violation of [section 1413 (a) (ii) or of] section 1912 (a) (ii);

(iii) the face value of the promissory note or other evidence of indebtedness issued by the institution, in the case of a violation of section 1413 (a) (iii) or section 1912 (a) (iii); **and**

(iv) the amount of any profit which he receives on the transaction, in the case of a violation of section 1416[; and

(v) the amount of money or value of the property given directly or indirectly as a gift or loan or otherwise, in the case of a violation of section 2004 (a)].

* * *

Section 2104. Penalties Applicable to Persons Subject to This Act

(a) Violations of sections 105, 106--Any person who wilfully engages in the business of receiving deposits or money for transmission, or who wilfully establishes a place of business for such purpose, in violation of section 105 and any person whom such person represents, and any corporation which wilfully acts in a fiduciary capacity in violation of section 106, shall be guilty of a [misdemeanor] **felony** and shall upon conviction thereof be subject, in the case of an individual, to imprisonment for a period not exceeding [one year] **two years**, or a fine not exceeding [one thousand dollars ($1,000)] **ten thousand dollars ($10,000) per violation**, or both, and, in the case of any other person, to a fine not exceeding [five thousand dollars ($5,000)] **five hundred thousand dollars ($500,000).**

[(b) Violations of section 2004 (a)--A violation of the prohibitions of section 2004 (a) by the Secretary of Banking, an official or employe of the department, a deputy receiver or an employe of the Secretary of Banking as receiver shall constitute sufficient ground for removal from office. In addition, any such individual wilfully committing such violation 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; and shall be subject to a further fine equal to the amount of money or value of the property which such individual has directly or indirectly received in violation of section 2004 (a).]

Section 61. This act shall take effect in 60 days.

APPROVED--The 24th day of October, A.D. 2012.

TOM CORBETT