

SAVINGS ASSOCIATION CODE OF 1967 - REPEALED

Act of Dec. 14, 1967, P.L. 746, No. 345

Cl. 07

AN ACT

Relating to and regulating the business of savings associations heretofore designated under other acts and special charters variously as building and loan associations and savings and loan associations; defining the rights, powers, duties, liabilities, and immunities of such associations; affecting persons engaged in the business of savings associations; affecting the members, account holders and borrowers of such associations; affecting Federal savings and loan associations whose principal office is located in the Commonwealth; prohibiting the transaction of business in this Commonwealth by foreign savings associations; conferring powers and imposing duties on certain departments and officers of the Commonwealth and on the courts, recorders of deeds; creating a Savings Association Board and defining its powers and duties; prohibiting certain actions and imposing penalties, and repealing certain acts.

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

ARTICLE I
GENERAL PROVISIONS

Section 101. Short Title.--This act shall be known, and may be cited, as the "Savings Association Code of 1967."

Section 102. Definitions.--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:

(1) "Articles," the original articles of incorporation, any or all amendments thereto, articles of merger, consolidation, conversion or dissolution.

(2) "Assets," all the property and rights of every kind of the association.

(3) "Association," any mutual or permanent reserve fund stock savings association organized under this act and includes also any building and loan association or savings and loan association heretofore organized under or by virtue of any other act or law of this Commonwealth. ((3) amended Apr. 9, 1982, P.L.334, No.94)

(4) "Attorney," an attorney at law who is, or is a member of the firm which is, regularly retained as counsel for an association.

(4.1) "Authorized capital," the permanent reserve fund stock authorized in an association's articles. ((4.1) added Apr. 9, 1982, P.L.334, No.94)

(5) "Branch," an office or place of business other than the principal place of business of a savings association for the transaction of any business of the association except an agency existing at the effective date of this act in which an association had authorized any corporation or person to collect dues, interest, premiums and fines in any city, borough or township in the Commonwealth other than a place of business of the association.

(5.1) "Capital," the sum of the par value of the permanent reserve fund stock of a savings association issued and outstanding. ((5.1) added Apr. 9, 1982, P.L.334, No.94)

(5.2) "Capital deposit," the contributions paid by a savings association to the Pennsylvania Savings Association Insurance Corporation's central insurance fund, consisting of capital contributions by each member savings association in an amount equal to not less than two percent of the total savings on deposit with each member. (present (5.2) added and former (5.2) renumbered (5.3), Dec. 21, 1998, P.L.1002, No.132)

(5.3) "Capital surplus," the amount paid to an association for the purchase of permanent reserve fund stock in excess of its par value. ((5.3) added Dec. 21, 1998, P.L.1002, No.132)

(6) "Collateral," personal property pledged to secure payment of an obligation.

(7) "Department," the Department of Banking of this Commonwealth.

(8) "Evidence of indebtedness," a bond, note or similar instrument evidencing obligation of a borrower or debtor.

(9) "Fair market value," the value determined by an appraisal made in accordance with regulations to be issued by the Department of Banking. In the event such regulations are not issued the appraisal may be by two or more members of the board of directors or officers of the association or by an independent appraiser, who is acceptable to the department. Said appraisal shall be retained in the files of the association.

(9.1) "Federal savings and loan association," a savings and loan association or savings bank chartered by the Federal Home Loan Bank Board under section 5 of the Home Owners' Loan Act of 1933 (12 U.S.C. § 1461 et seq., 48 Stat. 128). ((9.1) added Dec. 21, 1988, P.L.1427, No.174)

(10) "Housing facilities for the aging," housing accommodations, individual or multiple, designed for the purpose of providing accommodations for occupancy by aging persons or providing rest homes or nursing homes existing, constructed or altered, so as to be suitable primarily for the occupancy of persons of fifty-five years of age and older and limited principally to the occupancy of such persons.

(11) "Incorporator," a signer of the original articles of incorporation.

(12) "Insured association," an association whose savings are insured as provided by the National Housing Act of 1934, approved the twenty-seventh day of June, 1934, its amendments and supplements or by the Pennsylvania Savings Association Insurance Corporation established by the act of April 6, 1979 (P.L.17, No.5), entitled "An act establishing the Pennsylvania Savings Association Insurance Corporation and providing for its powers and duties." ((12) amended July 11, 1980, P.L.638, No.132)

(13) "Leasehold interest," a lease upon real estate which is security for the payment of an obligation and which by its terms as a lease has a period of not less than five years to run after the date of the maturity of the obligation, or is renewable for a period terminating not less than five years after the date of the maturity of the obligation. It must also provide that the right of renewal of the lease may be exercised by the mortgagee until the obligation is discharged.

(14) "Loans on the security of savings accounts," loans which are secured pursuant to the provisions of this act by a note of the borrower and the pledge of a savings account.

(15) "Loss reserves," the aggregate amount of the reserves allocated by an association for the sole purpose of absorbing losses.

(16) "Maturity date," the date on which the last payment required to be made to retire an indebtedness or obligation is due and payable.

(17) "Member," a person holding a savings account of a mutual association, a person owning one or more shares of permanent reserve fund stock of a permanent reserve fund stock association and a person borrowing on the security of a mortgage or purchasing property upon which a mortgage lien is held by a mutual association. A joint and survivorship relationship whether savers or borrowers constitute a single membership. ((17) amended Apr. 9, 1982, P.L.334, No.94)

(17.1) "Mortgage backed bonds," any borrowing (except borrowings from Federal Home Loan Banks) secured in whole or in part by one or more real estate loans. ((17.1) added July 30, 1975, P.L.105, No.55)

(18) "Mortgage loans," loans which are secured pursuant to the provisions of this act with a bond or note or other evidence of indebtedness of the borrower, and by a mortgage on real estate in fee simple or leasehold.

(19) "Net worth," in the case of a mutual association, the sum of the association's general reserves, surplus and, to the extent they would be includable as regulatory capital for an association insured by the Federal Savings and Loan Insurance Corporation, or as permitted by the department, mutual capital certificates and subordinated debt securities; or, in the case of a permanent reserve fund stock association, the sum of the association's general reserves, capital, capital surplus and, to the extent they would be includable as regulatory capital for an association insured by the Federal Savings and Loan Insurance Corporation, or as permitted by the department, subordinated debt securities. ((19) amended Dec. 21, 1988, P.L.1427, No.174)

(19.1) "Permanent reserve fund stock," the shares of stock issued by an association whose articles permit the issuance of stock which will share in the earnings of the association and for which there is set up from the money paid to the association for such stock a capital surplus. The total amount paid to the

association for such stock and all earnings credited to it shall be a secondary fund for securing the payment of the savings liability of the association. ((19.1) added Apr. 9, 1982, P.L.334, No.94)

(19.2) "PSAIC," the Pennsylvania Savings Association Insurance Corporation established by the act of April 6, 1979 (P.L.17, No.5), referred to as the Pennsylvania Savings Association Insurance Corporation Act. ((19.2) added Dec. 21, 1998, P.L.1002, No.132)

(20) "Regular lending area," this Commonwealth and within fifty miles of the boundary thereof or within one hundred miles of the main office of an association without regard to the Commonwealth boundary lines.

(21) "Resulting association," the association which continues after a merger or after the conversion of a Federal savings and loan association or a savings bank to an association.

(22) "Savings account," the amount paid in cash to an association for deposit plus all earnings or interest credited thereto, less all withdrawals, redemptions and charges. ((22) amended Dec. 21, 1988, P.L.1427, No.174)

(23) "Savings bank," a corporation existing under the laws of this Commonwealth as a savings bank and authorized under the Banking Code of 1965 to receive savings deposits. ((23) amended Dec. 21, 1988, P.L.1427, No.174)

(24) "Savings liability," the aggregate amount of savings accounts of members including earnings credited to such accounts less redemptions and withdrawals.

(25) "Service corporation," a corporation organized under the laws of the Commonwealth of Pennsylvania the entire capital stock of which corporation is available for purchase only by savings associations organized and existing under the laws of the Commonwealth of Pennsylvania and by Federal savings and loan associations having their home office in the Commonwealth of Pennsylvania and by savings banks.

(25.1) "Shares," the units into which the permanent reserve fund stock is divided. ((25.1) added Apr. 9, 1982, P.L.334, No.94)

(25.2) "Subscriber," a person who subscribes to shares of the permanent reserve fund stock. ((25.2) added Apr. 9, 1982, P.L.334, No.94)

(26) "Surplus," the earnings and profits of an association which have not been allocated to savings accounts or to a loss reserve.

(27) "Withdrawal value of a savings account," the credit balance of a savings account at any particular time as shown by the books of an association.

(28) "Travelers' convenience withdrawals," the right of an account holder of an association as a convenience when fifty miles or more from his or her principal residence to make a withdrawal from his or her regular savings account at the office of a financial institution, the accounts of which are insured by the Federal Savings and Loan Insurance Corporation or the Pennsylvania Savings Association Insurance Corporation. ((28) added June 5, 1981, P.L.81, No.28)

(29) "Corporate debt security," a marketable obligation evidencing the indebtedness of any corporation in the form of a bond, note and/or debenture which is commonly regarded as debt security and is not predominantly speculative in nature. A security is marketable if it may be sold with reasonable promptness at a price which corresponds reasonably to its fair value. ((29) added June 5, 1981, P.L.81, No.28)

Section 103. Declaration of Purposes; Standard for Exercise of Power and Discretion by Department.--(a) The General Assembly declares as its purposes in adopting this act to provide for:

- (1) The safe and sound conduct of the business of associations subject to this act,
- (2) The conservation of their assets,
- (3) The maintenance of public confidence in them,
- (4) The protection of the interests of the owners of savings accounts, creditors and of the interest of the public in the soundness and preservation of the savings and loan system,
- (5) The opportunity for associations subject to this act to remain competitive with each other, with financial organizations existing under other laws of this Commonwealth, and with savings and financial organizations existing under the laws of other states, the United States and foreign countries,
- (6) The opportunity for associations subject to this act to serve effectively the convenience and needs of owners of savings accounts, borrowers and other customers, to participate in and promote the economic progress of Pennsylvania and the United States and to improve and expand their services and facilities for those purposes,
- (7) The opportunity for managements of associations to exercise business judgment, subject to the provisions of this act, in conducting the affairs of associations, to the extent compatible with, and subject to, the purposes recited in the preceding clauses of this subsection (a),
- (8) A delegation to the department of adequate rule-making power and administrative discretion, subject to the provisions of this act and to the purposes stated in this subsection (a), in order that the supervision and regulation of associations subject to this act may be flexible and readily responsive to changes in economic conditions and to changes in savings and loan practices, and
- (9) Simplification and modernization of the law governing savings associations.

(b) The purposes of this act stated in subsection (a) of this section shall constitute standards to be observed by the department in the exercise of its discretionary powers under this act, in the promulgation of rules and regulations, in the examination and supervision of associations subject to this act and in all matters of construction and application of this act required for any determination or action of the department.

Section 104. Rules of Construction.--In the interpretation and construction of this act:

(a) The comments of the commission which drafted this act may be consulted in the construction and application of its original provisions but the text of the act will control in the event of a conflict between text and comments.

(b) A reference in this act to a statute or to a regulation issued by a governmental agency includes the statute or regulation with all amendments and supplements thereto and any new statute or regulation substituted for such statute or regulation, as in force at the time of application of the provision of this act in which such reference is made, unless the specific language or the context of the reference in this act clearly includes only the statute or regulation as in force on the effective date of this act.

(c) A reference in this act to a governmental agency, department, board, commission or other public body or to a public officer includes an entity or officer succeeding to substantially the same functions as those performed by such

public body or officer on the effective date of this act, unless the specific language or the context of the reference in this act clearly includes only the public body or officer on the effective date of this act.

(d) A power of an association stated in this act to be subject to regulation of the department may be exercised, subject to the provisions of this act, in the absence of such regulation but a power which is stated to be subject to approval or permission of the department may not be exercised in the absence of such written approval or permission.

(e) The provisions of this act are severable so that if any provision or the application of this act in particular circumstances should be held to be invalid, such invalidity will not affect any other provision or application of this act which can be given effect without the invalid provision or application.

(f) Provisions of this act for the violation of which specific penalties are imposed under Article XV of this act are indicated by inclusion in the provisions of the phrase "subject to the penalty provisions of this act" or its equivalent.

Section 105. Emergency Powers.--In the event a nuclear attack or other disaster results in the declaration of an emergency an association may during the continuance of such emergency, without regard to any restriction or limitation of this act, take any action to preserve the assets of the association and to continue or resume its business, including any action to obtain the benefit of, or participate in, emergency action authorized by the Federal government.

Section 106. Certificates and Certified Copies of Documents to be Received in Evidence.--All certificates issued by the Department of Banking and by the Department of State and all copies of articles, papers and other documents filed in either department and certified by the Secretary of the Department of Banking or by the Secretary of the Commonwealth shall be taken and received by all courts, public offices, and official bodies as prima facie evidence of the facts therein stated.

Section 107. Advertisement.--(a) Every advertisement required by this act shall be published, except as otherwise provided in this act, once in a newspaper of general circulation and once in a legal newspaper.

(b) The newspaper of general circulation for publication of advertisement shall be one published in the English language, shall satisfy the requirements of the Newspaper Advertising Act and shall be:

(1) A newspaper which is one of general circulation in the county and is published in the city, borough or township in which the principal office of each association required to publish the advertisement is, or the principal office of such a proposed association will be, located, or if there is none,

(2) A newspaper of general circulation in such county, published at the county seat, or if there is none,

(3) The newspaper of general circulation published in the county at the place nearest such city, borough or township, or if there is none,

(4) The newspaper of general circulation published at the place nearest such city, borough or township in an adjoining county.

(c) The legal newspaper for publication of advertisements shall satisfy the requirements of the Newspaper Advertising Act and shall be one published in the county in which the principal office of each association required to publish the advertisement is, or the principal office of such a proposed association will

be, located. If there is no legal newspaper published in such county, the advertisement shall be published in an additional newspaper of general circulation in the county but if there are not two such newspapers, then only the advertisement provided for under subsection (b) of this section shall be required.

Section 108. Notices.--(a) Written notice required to be given to any person under the provisions of this act or under the articles or bylaws of an association may be given to such person, either personally or by sending a copy thereof through the mail, or by telegram, charges prepaid, to his address appearing on the books of the association, or supplied by him to the association for the purpose of notice. If the notice is sent by mail or by telegraph, it shall be deemed to have been given to the person entitled thereto when deposited in the United States mail or with a telegraph office for transmission to such person. If such notice is of a meeting, it shall specify the place, date and hour of the meeting, and, in the case of a special meeting of members, the general nature of the business to be transacted.

(b) Any written notice required to be given under the provisions of this act or the articles or bylaws of an association need not be given if there is a waiver thereof in writing, signed by the person entitled to such notice, whether before or after the time when the notice would otherwise be required to be given. If the notice is of a meeting other than a special meeting of members, neither the business to be transacted at, nor the purpose of, the meeting need be specified in the waiver of notice.

(c) Attendance of a person, either in person or by proxy, at any meeting shall constitute a waiver of notice of such meeting, except where a person attends a meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called or convened.

(d) If the language of a proposed resolution or a proposed plan requiring approval by members is included in a written notice of a meeting of members, the members' meeting considering the resolution or plan may adopt it with such clarifying or other amendments as do not enlarge its original purpose without further notice to members not present in person or by proxy.

Section 109. Execution of Instruments.--Without regard to any other form of execution provided in the bylaws, an instrument in writing, or any assignment or endorsement thereof, executed or entered into between an association and any person and signed by the president or vice-president and by the secretary or treasurer of the association, shall be held to have been properly executed by and in behalf of the association. 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 association of any instrument in writing.

Section 110. Books, Records and Accounts of Associations.--(a) An association may maintain its books of account on a cash, accrual, or modified accrual basis, as determined by the board of directors.

(b) An association shall enter on its books a complete and accurate account of all its assets, whether the assets are in its name or the names of others, at values which shall not exceed the actual cost of the assets to the association unless prior approval so to do is received from the department.

(c) An association shall enter on its books a complete and accurate account of its liabilities and of its savings accounts and of its members.

(d) An association shall set out in full on its records any pledge or assignments of assets.

(e) An association may not cause to be performed by contract or otherwise, accounting or bookkeeping services for itself, whether on or off its premises, unless assurances satisfactory to the department are furnished to the department by both the association and the person performing such service that the performance thereof will be subject to regulation and examination by the department to the same extent as if such service were being performed by the association itself on its own premises. For the purpose of this subsection (e) "services" shall mean clerical, bookkeeping, accounting and statistical.

(f) Any officer, director or employee of an association who knowingly violates any of the provisions of this section shall be subject to the penalty provisions of this act.

Section 111. Retention of Records and Admissibility of Copies in Evidence.--(a) Every association shall preserve in such form and manner that they may be readily produced upon proper demand, all of its records of original or final entries for a period of seven years from the date of making 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.

(b) All records required to be retained under subsection (a) of this section shall be retained in their original form except that, in lieu of the originals, film, photographic, photostatic or other copies which accurately reproduce all lines and markings on the originals may be retained.

(c) Any copy of a record permitted to be kept in lieu of the original under subsection (b) of this section shall be admissible in evidence in any proceeding with the same effect as though it were the original.

Section 112. Repledging of Collateral.--(a) An association shall not repledge any property held by it in pledge or as collateral.

(b) Any officer, director or employee of an association who knowingly repledges any such property shall be subject to the penalty provisions of this act.

Section 113. Statutory Amendment of Existing Charters.--The charters of all existing building and loan associations and savings and loan associations heretofore granted shall be deemed to be amended to the extent necessary to give effect to the provisions of this act and to conform thereto.

Section 114. Authorization of Reciprocal Interstate Operations of Savings Associations.--(114 repealed Nov. 22, 2000, P.L.660, No.89)

Compiler's Note: See the preamble to Act 206 of 1986 in the appendix to this act for special provisions relating to legislative findings.

Section 115. Savings Association Holding Companies.--(a) The following words and phrases when used in this section shall have, unless the context clearly indicates otherwise, the following meanings:

(1) "Savings association holding company," any entity:

(i) which directly or indirectly owns, controls or holds with power to vote twenty-five percent or more of the voting shares of one or more savings association or of a company which is or becomes a savings association holding company; or

(ii) which controls in any manner the selection of a majority of the directors of one or more savings associations

or of a majority of the directors of a savings association holding company.

(2) "Entity," any corporation, partnership, association or similar organization, including banks and thrift institutions.

(3) "Savings association," an association as defined in section 102(3) of this act.

(4) "Subsidiary," with respect to a specified holding company, means any company twenty-five percent or more of whose voting shares are directly or indirectly owned, controlled or held by the holding company with the power to vote such shares, or in which the selection of a majority of the directors of the company is controlled by the holding company.

(b) The Secretary of Banking may require any savings association holding company to furnish such reports as the secretary deems appropriate to the proper supervision of such companies. Unless the secretary determines otherwise, reports prepared for Federal authorities may be submitted by the savings association holding company in satisfaction of the requirements of this section. The secretary may make examinations of each savings association holding company and each subsidiary thereof, the cost of which shall be assessed against and paid by such savings association holding company.

(c) The secretary shall have the authority to issue rules, regulations and orders as may be necessary to properly administer this section, including the authority to order a savings association holding company to cease and desist from engaging in any activity which constitutes a serious risk to the financial safety, soundness or stability of the savings association.

(115 added Dec. 21, 1988, P.L.1427, No.174)

Section 116. Federal Agency References.--(a) Any reference in this act to the Federal Home Loan Bank Board shall mean the Office of Thrift Supervision under section 3 of the Home Owners' Loan Act (48 Stat. 128, 12 U.S.C. § 1462a).

(b) Any reference in this act to the Federal Savings and Loan Insurance Corporation shall mean the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation.

(116 added July 9, 1992, P.L.414, No.89)

ARTICLE II INCORPORATION AND ORGANIZATION

Section 201. Incorporators.--(a) A savings association may be incorporated by three or more adults.

(b) At least two-thirds of the incorporators shall be citizens of the United States or of its territories or possessions and residents of Pennsylvania.

(201 amended Dec. 21, 1988, P.L.1427, No.174)

Section 202. Prohibition of Promoters' Fees.--(a) A savings association shall not pay any fee, compensation or commission for the promotion or organization of an association or for any part of the money collected from members, except legal fees and other usual and ordinary expenses necessary for its organization. Any incorporator, officer, director or employee paying or receiving any such fee, compensation or commission shall be subject to the penalty provisions of this act.

(b) A majority of the incorporators shall file with the department at the time of the filing of the articles an affidavit:

(1) Setting forth all expenses incurred or to be incurred in connection with the organization of the association. If the association is a permanent reserve fund stock association there

shall also be stated any expense in connection with the subscription for its shares and sale of its shares, if any, and

(2) Stating that no fee, compensation or commission prohibited by subsection (a) of this section has been paid or incurred.

((b) amended Apr. 9, 1982, P.L.334, No.94)

(c) In the event of a violation of this section, the department may disapprove the articles on account of such violation.

Section 203. Articles of Incorporation.--(a) Articles of incorporation shall be signed and acknowledged by each of the incorporators. ((a) amended Dec. 21, 1988, P.L.1427, No.174)

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

(1) The name of the association,

(2) The county in which its first principal place of business is to be located,

(3) A precise and accurate statement of the purpose or purposes for which it is organized, as well as a statement that it is organized under the provisions of this act,

(4) The term for which it is to exist, which may be perpetual,

(5) The name, occupation, citizenship, place of residence, and post office address of each incorporator,

(6) The name, occupation, citizenship, place of residence, post office address, and term of office of each of the first directors,

(7) The aggregate number of permanent reserve fund shares which the association shall have authority to issue. If the articles provide for the issuance of permanent reserve fund stock it shall specify the par value of each share, the number of shares and the kinds or classes which the association is authorized to issue. There shall also be specified the capital surplus to be contributed by each subscriber to permanent reserve fund stock. All shares shall contribute a pro rata proportion of the capital surplus. The authorized capital may be in any amount but may not be less than is required by the department.

(203 amended Apr. 9, 1982, P.L.334, No.94)

Section 204. Application for Approval by Department.--The incorporators shall make an application to the department for approval of the proposed association in a manner prescribed by the department and shall deliver to the department when available:

(1) The articles of incorporation,

(2) The affidavit required by section 202,

(3) Evidence of reservation in the Department of State of the name of the proposed association,

(4) Applicable fees payable to the department in connection with the articles and with the conduct of the investigation required by section 206,

(5) As soon as available proof of publication of the advertisement required by section 205.

Section 205. Advertisement.--(a) The incorporators shall advertise their intention to deliver, or the delivery of, articles of incorporation with the department once in each newspaper in which such advertisement is required to be made and published in accordance with section 107.

(b) The advertisement shall appear prior to, or within seven days after the date of delivery of the articles to the department and shall set forth briefly:

(1) The name of the proposed association,

(2) A statement that it is to be incorporated under the provisions of this act,

(3) The purpose or purposes of the association,

(4) The names and addresses of the first directors as they appear or will appear in the articles,

(5) The date of delivery of the articles to the department.

Section 206. Approval of Proposed Association by Department.--(a) Upon receipt of an application for approval of a proposed association the department shall conduct such investigation as it may deem necessary to ascertain whether:

(1) The articles and supporting items satisfy the requirements of this act,

(2) The convenience and needs of the public will be served by the proposed association,

(3) The population density or other economic characteristics of the area primarily to be served by the association afford reasonable promise of adequate support for the association,

(4) The character and fitness of the incorporators, of the directors and of the proposed officers are such as to command confidence of the community and to warrant the belief that the business of the association will be honestly and efficiently conducted,

(5) There has not been nor will there be any violation of section 202,

(6) The amount of savings, which will be attracted to the association, shall be adequate properly to operate the association with safety to prospective members, and such savings will be insured by the Federal Savings and Loan Insurance Corporation or by any other public or private corporation authorized by law to insure accounts of savings associations and approved by the Department of Banking,

(7) The proposed association will have sufficient personnel with adequate knowledge and experience to administer the business of the association, and

(8) In the case of a permanent reserve fund stock association, the capital and capital surplus thereof are adequate in relation to the amount and character of the anticipated business of the association.

((a) amended Apr. 9, 1982, P.L.334, No.94)

(b) Within sixty days after receipt of the articles, the department shall make a determination whether to approve or disapprove the proposed association on the basis of its investigation. In giving approval, the department may impose conditions to be satisfied prior to the issuance of a certificate of authorization under section 209. If the department shall approve the proposed association with or without conditions, it shall deliver the articles with its written approval to the Department of State and notify the incorporators of its action. If the department shall disapprove the association it shall give written notice to the incorporators of its disapproval and a statement in detail of the reasons for its decision. ((b) repealed in part June 3, 1971, P.L.118, No.6)

Section 207. Issuance of Certificate of Incorporation.--If all the taxes, fees and charges required by law shall have been paid and if the name of the proposed 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 shall constitute filing of the articles with the Department of State as of the date and time of receipt or as of any later date and time specified by the department and the Department of State shall

immediately issue to the incorporators a certificate of incorporation as of the date and time of filing with the approved articles attached thereto and shall make and retain a copy of such certificate and articles.

Section 208. Effect of Filing of Articles in Department of State and of Certificate of Incorporation.--(a) As of the filing of the articles in the Department of State the corporate existence of the association shall begin.

(b) The certificate of incorporation shall be conclusive evidence of the fact that the association has been incorporated but proceedings may be instituted by the Commonwealth to dissolve, wind up and terminate an association which should not have been incorporated under this act or which was incorporated without a substantial compliance with the conditions prescribed by this act as precedent to incorporation.

Section 209. Certificate of Authorization to do Business.--(a) Until receipt of a certificate of authorization issued by the department an association shall not open savings accounts for its members, incur indebtedness or transact any business except such business as is incident to its organization or to the obtaining of subscriptions. Any officer or director violating this prohibition shall be subject to the penalty provisions of this act.

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

(1) Bona fide applications or promises to open accounts in writing, signed by the prospective account holder, have been received in an amount satisfactory to the department.

(2) There shall have been paid in an expense fund in an amount fixed by the department and subject to such conditions as the department may impose,

(3) The bylaws of the association have been filed with the department,

(4) The association has been organized and is ready to begin the business for which it was incorporated,

(5) All conditions imposed by the department in giving its approval of the proposed association under section 206 have been satisfied or provision satisfactory to the department made for meeting them,

(6) The department has received an affidavit signed by at least a majority of the directors of the association to the effect that all the foregoing requirements of this subsection have been satisfied.

Section 210. Organization Meetings.--(a) After the filing of the articles in the Department of State the first meeting of the members shall be held within this Commonwealth at the call of the incorporators, or the majority of them, for the purpose of adopting such bylaws as this act and the articles require to be adopted by the members, and for such other purposes as shall be stated in the notice of the meeting. The incorporators, at the call of the meeting, shall give to each member at least five days' written notice of the time and place of the meeting.

(b) After the filing of the articles in the Department of State, an organization meeting of the board of directors named in the articles shall be held within this Commonwealth at the call of a majority of the directors, for the purpose of adopting such bylaws as the articles authorize the directors to adopt, of electing officers and of transaction of such other business as may come before the meeting. The directors who call the meeting shall give to each director named in the articles at

least five days' written notice of the time and place of the meeting.

Section 211. Adoption and Contents of Bylaws.--(a) The members shall have the power to make, alter, amend and repeal the bylaws of an association, but such authority may be expressly vested by the articles or by the bylaws in the board of directors (except as to bylaws fixing the qualification, classification, or terms of office of directors), subject to the power of the members to change such action. Unless the articles or bylaws otherwise provide, the powers hereby conferred shall be exercised by a majority vote of the directors or by the majority vote of members of the association present in person or by proxy at any regular or special meeting. No notice shall be required to members for any regular meeting where such bylaw changes are to be considered.

(b) The bylaws of an association may contain provisions for the regulation and management of the affairs of the association not inconsistent with law or its articles.

(c) An association shall send to the department a copy of its bylaws and of all changes therein immediately after every adoption and change of its bylaws.

Section 212. Acquisitions and Offers to Acquire Shares of Permanent Reserve Fund Stock of Association.--(a) The following words and phrases when used in this section shall have, unless the context clearly indicates otherwise, the following meanings:

(1) "Acquire," obtaining legal or beneficial ownership of shares, or voting rights of shares, whether obtained directly or indirectly, through an intermediary or otherwise; beneficial ownership by a person shall be deemed to include ownership by another person which controls, is controlled by or is under common control with such person and to include ownership by a spouse or member of the family of such person; the acquisition of options, warrants and rights to subscribe for, or to purchase, shares and the acquisition of rights to obtain shares through conversion or exchange shall be deemed an acquisition of such shares.

(2) "Control," the power to elect a majority of the board of directors of an institution or corporation.

(3) "Institution," a permanent reserve fund stock association.

(4) "Ownership change," the same meaning as in section 382 of the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 1 et seq.), as amended.

(5) "Proposal to acquire," any offer or attempt to buy or solicitation of an offer to sell or other attempt or offer to acquire by any means, directly or indirectly, through an intermediary or otherwise.

(b) Except as provided in subsection (i), it shall be unlawful, without the prior written approval of the department pursuant to this section, for any person to acquire, or to make a proposal to acquire, shares of an institution or shares of a corporation which controls an institution if the aggregate number of shares held after such acquisition, whether or not any prior acquisition had been approved by the department pursuant to this section, would total more than:

(1) ten percent of any class of the outstanding shares of such institution; or

(2) five percent of any such class, if such institution or corporation had net operating loss carryforwards (as defined in the Internal Revenue Code of 1986) in excess of twenty percent of its total stockholders' equity, as reported in its most recent publicly available annual financial statements.

(c) If the approval of the department is required under subsection (b), a person who intends to acquire, or to make a proposal to acquire, shares of an institution or of a corporation which controls an institution shall:

(1) File an application for approval in such form as the department may prescribe,

(2) Deliver to the department from time to time such other information as the department may require with such certification of financial information and such verification by oath or affirmation of other data as the department may specify,

(3) Pay such investigation fee as the department may specify, and

(4) Except in the case of an applicant which is a domestic corporation or a foreign corporation qualified to do business in Pennsylvania, deliver to the department a written consent to service of process in any action or suit arising out of or in connection with the proposed acquisition through service of process on the Secretary of Banking.

(d) Upon receipt of an application for approval and other items required under subsection (c) the department shall conduct an investigation to determine whether the acquisition, its purposes and probable effects would be consistent with the purposes of this act set forth in section 103(a), whether the applicant, or its directors and officers in the case of a corporation, and any proposed new officers or directors of the institution involved would satisfy the test for incorporators, directors and officers of a new institution under section 206(a), and whether the proposed acquisition would be prejudicial to the interests of the depositors, creditors, beneficiaries of fiduciary accounts or shareholders of the institution or corporation involved. As part of its investigation, the department shall transmit to the institution or the corporation whose shares are proposed to be acquired a copy of the application and all other information received from the applicant, except such information which the department determines should be kept confidential, for the purpose of receiving such comments thereon as such institution or corporation shall transmit to the department upon its request.

(e) Within sixty days after receipt of an application under subsection (c) or within a longer period not in excess of thirty days after receipt from the applicant of additional information required by the department, the department shall approve or disapprove the proposed acquisition and give written notice of its decision to the applicant and the institution or corporation whose shares are proposed to be acquired. If the department approves a proposed acquisition which may result in a change of control or ownership change of such institution or corporation it may impose conditions to be observed after such acquisition with respect to transactions between the institution involved and the applicant or affiliate of the applicant, with respect to dividends or distributions by such institutions, with respect to employee relations, with respect to reimbursement for any loss occasioned by such ownership change or with respect to such other matters as the department may deem advisable on the basis of the purposes of this act set forth in section 103(a). The decision of the department shall be subject to review by the Commonwealth Court in the manner provided by law.

(f) A proposal to acquire shares which is made to all or substantially all of the shareholders of an institution or a corporation which controls an institution shall, to the extent required by the department in approving the proposal, provide

that the proposal will remain open for a specified minimum period of time, that shares may be withdrawn from deposit prior to the time the person making the proposal becomes bound to acquire them and that there will be pro rata acceptance of shares offered or deposited if they exceed the number proposed to be acquired.

(g) It shall be unlawful for any person directly or indirectly to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances in which they were made, not misleading in connection with any acquisition of, or proposal to acquire, shares within the scope of this section or in any application or submission of information to the department under subsection (c).

(h) The enforcement and implementation of this section shall be subject to regulation by the department.

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

(1) An acquisition or proposal to acquire shares by the issuer thereof or by a person who at the time controls the institution or corporation whose shares are proposed to be acquired,

(2) A merger or consolidation which requires the approval of the department or the Office of Thrift Supervision,

(3) A transaction by a broker-dealer who does no more than perform the customary broker's function in transactions on a stock exchange or in the over-the-counter market, who receives no more than the customary broker's commission and who does not solicit, or arrange for the solicitation of orders, or

(4) A transaction of a type exempted by regulation of the department in the light of the purposes of this act set forth in section 103(a).

(5) An acquisition or proposal to acquire shares by the issuer's tax-qualified employee benefit program.

(j) (1) Any person who acquires or proposes to acquire shares of an institution or of a corporation which controls an institution in violation of this section or who violates subsection (g) shall be guilty of a misdemeanor and shall upon conviction be subject, in the case of an individual, to imprisonment for a period not exceeding five years or a fine not exceeding five thousand dollars (\$5,000), or both, and, in the case of any other person, to a fine not exceeding fifty thousand dollars (\$50,000).

(2) Any person who violates any provision of this section shall be liable to any institution or corporation or shareholder thereof damaged thereby and, in the discretion of the court, for punitive damages. The provisions of this section shall be enforceable in any administrative action, action or suit instituted by the department or by any such institution, corporation or shareholder to enjoin or restrain any violation or threatened violation of that section.

(212 amended July 9, 1992, P.L.414, No.89)

Section 212.1. Prohibition Against Certain
Acquisitions.--(212.1 repealed Nov.22, 2000, P.L.660, No.89)

ARTICLE III NAMES

Section 301. Names permitted to be Used.--(a) The name of an association:

(1) May be in any language but shall be expressed in English letters or characters,

(2) It shall contain the words "savings association," "savings and loan association" or "building and loan association."

(3) The name of the association shall not contain the words "trust," "bank," "deposit," "discount" or any other words which may deceptively lead to the conclusion that it is authorized to perform any act or conduct any business which is forbidden to it by law, its articles or otherwise. The name of the association shall not contain the words "Government," "Official," "Federal," "National," "United States," or "insured."

(4) The name of an association shall not be the same as, or deceptively similar to, that of any other corporation authorized to transact business in this Commonwealth.

(b) An association may without regard to the provisions of subsection (a) of this section use:

(1) Its name legally in use on the effective date of this act, or

(2) A name legally in use on the effective date of this act by another association which is adopted by the resulting association in a plan of merger or consolidation to which the association using the name is a party.

(c) The Department of State shall not approve as a corporate name or register as a fictitious name, any name which would violate the provisions of this section.

Section 302. Change of Name of an Association.--(a) If an association makes any change in its name the new name shall comply with the provisions of section 301.

(b) An association may change its name by an amendment of its articles.

Section 303. Reservation of Name.--(a) The exclusive right to use a name permitted to be used by an association under this act may be reserved by an individual intending to incorporate an association, by an association intending to change its name, or by a Federal savings and loan association intending to convert into a State association.

(b) Such reservation may be made by filing with the Department of State an application executed by the applicant. If the Department of State finds that the name applied for is available it shall send a copy of the application to the department. If the department determines that the use of the name complies with the requirements of this article and is otherwise consistent with the purposes and provisions of this act it shall give its written consent to the Department of State which shall then reserve the name for the exclusive use of the applicant for a period of six months.

(c) A name which has been reserved for a period of six months pursuant to this section may be reserved for additional successive periods of six months each, if prior to the expiration of each such period of six months the applicant files with the Department of State a statement executed by the applicant to the effect that the proposed association for which the name is intended has taken appropriate action to obtain, but has not received, all approvals of regulatory authorities required for the business in which the name would be used.

(d) The right to the exclusive use of a name reserved pursuant to this section may be transferred to anyone who would be entitled to reserve such name under this section except for such prior reservation, by filing with the Department of State a notice of the transfer which shall be executed by the

transferor who reserved the name and which shall set forth the name of the transferee. The Department of State shall send a copy of such notice to the department.

ARTICLE IV OFFICES

Section 401. Authorized Offices.--(a) An association may not maintain any office for the conduct of its business other than:

- (1) Its principal place of business,
- (2) Branches authorized prior to the effective date of this act or authorized pursuant to this act.

(b) Any association which prior to January 1, 1954 had authorized any corporation or person to collect money on savings, mortgages, and other loans, in any city, borough or township in the Commonwealth other than a place of business of the association permitted by prior acts and, in the case of merger or consolidation, a resulting association, may continue to collect money on savings, mortgages and other loans in any such communities through any such corporations or persons and may appoint successors in their stead in any city, borough or township in the Commonwealth.

Section 402. Change of Location of Office.--(a) ((a) deleted Apr. 9, 1982, P.L.334, No.94)

(b) An association with the prior written approval of the department and any necessary amendment to its articles may change its principal place of business to a location anywhere in Pennsylvania.

(c) An association may with the prior written approval of the department change the place of business of a branch to a new location in the same manner and subject to the same requirements and limitations as are prescribed by this act for the establishment of branches.

(d) An association may with the prior written approval of the department designate a branch office as its main office and the original main office may thereafter be conducted as a branch office.

(e) An association which has changed the place of business of a branch shall discontinue operation of the branch at the previous location immediately upon commencing operation of the branch at the new location.

(f) In the event a place of business becomes unavailable an association with the prior written approval of the department may temporarily or permanently change its place of business to another place in close proximity thereto.

(402 amended Apr. 9, 1982, P.L.334, No.94)

Section 403. Authorization of New Branches.--(a) Upon a merger, consolidation or conversion of a Federal savings and loan association into a State association the resulting association may with the prior written approval of the department maintain as branches, in addition to its principal place of business, every office which was maintained prior to the merger or consolidation by the parties thereto or prior to the conversion by the Federal savings and loan association and which is located within Pennsylvania.

(b) Except as provided in subsection (a) of this section, an association may establish a branch after the effective date of this act anywhere in Pennsylvania and anywhere in the United States upon compliance with the following requirements:

- (1) The proposed branch shall be authorized by resolution by its board of directors.

(2) If the location of the proposed branch is outside of the city, incorporated town, borough or township in which the principal place of business of the association is located, the association shall give notice of the filing of the application by advertisement in the county in which the proposed branch is to be located.

(3) The branch shall be approved by the department.

((b) amended Dec. 18, 1986, P.L.1723, No.206)

(403 amended Apr. 9, 1982, P.L.334, No.94)

Section 404. Approval of Branch by Department.--(a) Upon receipt of an application for approval of a branch which satisfies the requirements of this act and the payment of all fees, and after such further notice as the department may require, the department shall conduct such investigation as it may deem necessary and in its discretion may hold hearings.

(b) ((b) deleted Apr. 9, 1982, P.L.334, No.94)

(c) Within sixty days after receipt of the application or such longer periods as may be required by any hearing which the department may hold, the department shall, approve the application if it finds that the establishment of the proposed branch would be consistent with the purposes of this act set forth in subsection (a) of section 103 and that the requirements of this act have been complied with, but shall otherwise disapprove the application. If the department approves the application it shall issue to the association a letter of authority to establish a branch. If the department disapproves the application it shall give the association written notice of its disapproval and a statement in detail of the reasons for its decision. ((c) amended Apr. 9, 1982, P.L.334, No.94)

(d) An association may establish a branch pursuant to approval of the department under this section not later than twelve months after the date of the letter of authority or within such longer period as the department shall allow for good cause. Each such period of extension by the department shall not exceed six months. The association shall deliver to the department a certificate of the establishment of the branch in a form prescribed by the department.

(e) An association may, pursuant to a resolution of its board of directors and with prior written approval of the department, discontinue the operation of a branch upon such prior public notice of at least thirty days as the department shall prescribe. The association shall deliver to the department a certificate of the discontinuance of the branch in a form prescribed by the department.

(f) The department shall maintain a record of the number and location of all branches of associations.

(g) An association may establish and operate as a branch any principal place of business or branch of an affiliated State or Federal savings and loan association or State or National bank or State or Federal savings bank 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 of an application filed under this subsection nor a basis for denial of such application. ((g) added July 9, 1992, P.L.414, No.89)

Section 405. Branches Acquired from the Receiver of a Closed Association.--Any association whose principal place of business is located in Pennsylvania may maintain as a branch any office which it acquires from the secretary, or public body of the United States, as receiver, in conjunction with an assumption

of deposit liabilities of a closed association 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 association.
(405 amended Apr. 9, 1982, P.L.334, No.94)

ARTICLE V DIRECTORS, OFFICERS, EMPLOYES AND ATTORNEYS

Section 501. Board of Directors.--(a) The business and affairs of an association shall be managed by a board of directors.

(b) Subject to the provisions of this act and provisions of the articles, the number, qualifications, terms of office, manner of election, time and place of meetings, powers and duties of the directors may be prescribed by the bylaws.

(c) The board of directors of an association may appoint an individual as director emeritus or member emeritus of an advisory board. An individual so appointed may be compensated but may not vote at any meeting of the board of directors or advisory committee or be counted in determining a quorum. He shall not have any responsibility or be subject to any liability.

Section 502. Number and Qualifications of Directors.--(a) The bylaws shall fix the number of directors at not less than five.

(b) Each director shall be a citizen of the United States.
((b) amended July 9, 1992, P.L.414, No.89)

Section 503. Term of Office of Directors; Vacancies; Classification of Directors.--(a) Each director shall hold office for the term for which he is elected and until his successor shall have been duly elected and qualified. Directors shall be elected by the members for a term of one year except as otherwise provided in this article or in the articles or the bylaws.

(b) Except as otherwise provided in the articles or bylaws, vacancies in the board of directors may be filled by the remaining members of the board even though less than a quorum. Each person so designated as a director shall serve as such director for the unexpired term to which he is appointed.

(c) Directors may be classified, pursuant to the provisions of the articles or bylaws, according to the time for which they shall severally hold office, except that the directors named in the articles shall serve only until the first annual meeting of members. Each class shall be as nearly equal in number as possible, the term of office of at least one class shall expire in each year and the members of a class shall not be elected for a shorter period than one year or a longer period than four years. If directors of more than one class are to be elected at a meeting of members there shall be a separate election for each class of directors to be elected at the meeting.

Section 504. Method of Action by Board of Directors, Executive or Other Committee.--Except as otherwise provided in this act or in the articles or bylaws:

(a) The board of directors shall hold a regular meeting at least once in each month. Meetings of the board of directors shall be held upon such notice as the bylaws may prescribe. Unless the bylaws provide otherwise, written notice of any special meeting of the board of directors shall be given to each director. Notice of an adjourned meeting may be given by announcement at the meeting at which the adjournment is taken. Minutes shall be kept of all meetings.

(b) A majority of all the directors in office shall constitute a quorum for the transaction of business and actions of a majority of those present at a meeting at which a quorum is present shall be actions of the board.

(c) The board of directors may by resolution adopted by a majority of the whole board delegate three or more of its number to constitute an executive committee or other committee which to the extent provided in such resolution, shall have and exercise the authority of the board of directors in the management of the business of the association. Minutes shall be kept of all meetings.

(d) Any action which may be taken at a meeting of the directors or at an executive or other committee meeting may be taken without a meeting if a consent or consents in writing setting forth the action shall be signed by all the directors or all of the members of the executive or other committee and filed with the secretary of the association.

(e) The board of directors may by resolution adopted by a majority of the whole board designate one or more officers or personnel of the association to approve loans as to amount, type of collateral, and other requirements, as shall be established in the resolution authorizing the approval of said loans. ((e) amended Dec. 21, 1988, P.L.1427, No.174)

Section 505. Communications from Department of Banking.--Every official communication directed by the department to an association, or to any officer thereof, shall be transmitted by the officer receiving it to the board of directors at the next meeting of such board, and shall be duly noted in the minutes of such meeting.

Section 506. Removal of Directors.--(a) The board may remove a director from office if:

(1) He is adjudicated an incompetent by a court or is convicted of a felony,

(2) He does not within sixty days of his election, or such other time as the bylaws may specify, accept the office in writing or by attendance at a meeting and fulfill other requirements for holding the office,

(3) He fails to attend regular meetings of the board for six successive months or such shorter period as is established by the bylaws without having been excused by the board.

(b) The court of common pleas of the county where the principal place of business of the association is located may in a suit in which the association is a party filed by a majority of the board of directors or by the members holding at least ten percent of the voting rights of the association remove from office a director for fraudulent or dishonest acts or gross abuse of authority or discretion in the affairs of the association and may bar any director so removed from re-election for a period prescribed by the court.

(c) The shareholders may remove a director from office subject to the provisions of the association's bylaws or articles of incorporation. ((c) added July 9, 1992, P.L.414, No.89)

Section 507. Officers.--(a) An association shall have a president, a secretary and a treasurer and such other officers, including a conveyancer, as it may authorize. The bylaws may provide that the same individual may hold two offices except that the president shall not hold any other office. The president shall be a member of the board of directors.

(b) Except as otherwise provided in the bylaws, the board of directors shall elect the officers, fix their compensation and fill vacancies however occurring. An officer elected or

appointed by the board may be removed by the vote of the majority of the board at any time.

(c) The officers shall, as between themselves and the association, have such authority and perform such duties as may be provided in the bylaws or in the absence of a provision in the bylaws as may be provided by the board.

Section 508. Bonds.--Each officer and employee and any director who is authorized to handle money or negotiable assets on behalf of the association shall be bonded and the association may pay the cost of such bond. The form, amount and surety of such bonds shall be such as is approved by the board of directors, but the department may require an additional amount or new or additional surety.

Section 509. Responsibility of Directors and Officers.--(509 repealed December 21, 1988, P.L.1444, No.177)

Section 510. Prohibitions Applicable to Directors, Officers, Employees and Attorneys.--(a) No director, officer, employee or attorney of an association shall:

(1) Receive anything of value for procuring or attempting to procure any loan from or investment by an association,

(2) Purchase, lease, or directly or indirectly be interested in purchasing or leasing from the association for less than its fair market value any security or other property,

(3) Contract with an association upon terms less favorable to the association than those offered by any other corporation or person,

(4) Engage in any transaction under subsections (2) and (3) hereof unless the transaction is authorized by the vote of at least two-thirds of all the members of the board of directors who are not interested in such transaction except in their capacity as directors,

(5) Receive a mortgage loan from the association unless the real property securing the loan shall be occupied by such director, officer, attorney or employee at his home.

(b) A violation of any of the subsections (a) (1), (a) (2) or (a) (3), of this section shall be subject to the penalty provisions of this act.

Section 511. Audits and Reports.--(a) Except as provided in subsection (c) of this section the board of directors of an association shall cause an annual audit to be made of the books, papers, securities and affairs of an association and the loans thereof and such other matters as the department may require and such audit shall be made by an independent public accountant satisfactory to the department. The department may by regulation establish minimum standards for audits and reports under this subsection (a).

(b) A detailed written report of such audit certified to by the accountant making such audit shall be promptly sent to the department. A signed copy thereof shall be placed on file with the association and noted in its minutes.

(c) In the case of an association which has a system of internal audit control approved by the department no audit under subsection (a) of this section shall be required and in lieu of a report required by subsection (b) the internal auditor of the association shall submit to the board an annual summary of the same matters as those required under subsection (a) of this section. Such report shall set forth the degree of compliance with the approved audit system and shall express the opinion of the internal auditor as to the adequacy of the internal controls. The report shall be kept in the files of the association and a copy shall be filed with the department.

Section 512. Recording Designations of Authority Respecting Mortgages.--(512 repealed Dec. 18, 1992, P.L.1333, No.169)

Section 513. Indemnification of Officers, Directors, Attorneys and Employes.--(513 repealed Dec. 19, 1990, P.L.834, No.198 and July 9, 1992, P.L.414, No.89)

Section 514. Department Review of Additions of any Director or Senior Executive Officer.--(a) An insured association or a Pennsylvania thrift institution holding company shall notify the department of the proposed addition of any individual as a senior executive officer of such institution or holding company at least thirty days before such addition or employment becomes effective, if the insured association or the Pennsylvania thrift institution holding company:

(1) has been chartered less than two years in the case of an insured association;

(2) has undergone a change in control or a charter conversion within the preceding two years; or

(3) is not in compliance with the minimum capital requirement applicable to such insured association or is otherwise in a troubled condition, as determined by the department on the basis of such insured association's or holding company's most recent report of condition or report of examination.

(b) An insured association or Pennsylvania thrift institution holding company may not add any individual to the board of directors or employ any individual as a senior executive officer if the department issues a notice of disapproval within thirty days following the receipt of the notice of proposed action pursuant to subsection (a).

(c) The department shall issue a notice of disapproval with respect to a notice submitted pursuant to subsection (a) if the competence, experience, character or integrity of the individual who is the subject of such notice indicates that it would not be in the best interests of the depositors of the insured association or in the best interest of the public to permit the individuals to be employed by or associated with the insured association or a Pennsylvania thrift institution holding company. The notice shall set forth the reason for such disapproval.

(d) The department may issue regulations regarding exceptions to prior notice required in subsection (a). The department shall publish a notice outlining the information required to be included in such notice as required in subsection (a).

(514 added July 9, 1992, P.L.414, No.89)

ARTICLE VI MEMBERS

Section 601. Meetings of Members.--(a) Meetings of the members of an association shall be held at such place within the Commonwealth as shall be fixed by the bylaws or by the board of directors pursuant to the bylaws, or if none is so fixed, at the principal place of business of the association.

(b) There shall be at least one annual meeting of members in each calendar year for the election of directors and any other business which members may present to that meeting. The time of such annual meeting shall be fixed by the bylaws or by the board of directors pursuant to the bylaws. If the annual meeting shall not be called and held within one month after the time designated in the bylaws or if the board of directors pursuant to the bylaws fails for a period of one month after

the date they are required to fix the meeting, to so designate a time any member shall have the power to call upon the department to issue an order in the manner provided by law to compel the calling and holding of such meeting.

(c) Special meetings of the members may be called at any time by the president, by the board of directors, by the members entitled to cast at least one-fifth of the votes which all members are entitled to cast at the particular meeting or by such other officers or persons as the bylaws may provide. Upon the written request of a person or persons who are entitled to call a special meeting, the secretary shall fix a date of such meeting to be held not more than sixty days after receipt of the request and shall give due notice thereof. In the event of the secretary's failure within thirty days after the receipt of the request to fix the date or give the notice, the person or persons making the request shall have the power to call upon the department to issue an order to compel the calling and holding of such meeting.

(d) Any meeting may be adjourned for any period except that a meeting at which directors are to be elected may be adjourned only from day to day until such directors have been elected.

Section 602. Notice of Meetings of Members.--(a) If the time and place of a regular meeting of the members are stated in the bylaws, it shall be sufficient, in addition to any other notice, if any, required by the bylaws, to post a notice at the place of business of the association during the month immediately preceding the date of such meeting. Written notice of each special meeting of members and of each regular meeting, the time and place of which are not stated in the bylaws, shall be given to each member of record entitled to vote at the meeting at least five days prior to the date thereof, unless a longer period of notice is required by the articles, bylaws, or other provisions of this act. The notice required by this section shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the general nature of the business to be transacted. Notice of an adjourned meeting and of the business to be transacted at such meeting may be given by announcement at the meeting at which the adjournment is taken unless otherwise provided in the articles or bylaws.

(b) The time and place of the annual meeting of members shall be stated in a prominent place on the cover or inside cover of each passbook or other evidence of membership.

Section 603. Quorum and Action by Members.--(a) A meeting of the members duly called shall not be organized for the transaction of business unless a quorum is present.

(b) Unless otherwise provided in the articles or in a bylaw:

(1) The presence, in person or by proxy, of the members entitled to cast at least a majority of the votes which all members are entitled to cast on a particular matter shall constitute a quorum for the purpose of considering such matter, except as provided in subsection (c) of this section,

(2) At a duly organized meeting, the acts of the members present who are entitled to cast at least a majority of the votes which all members present and entitled to cast shall be the acts of the members, except as otherwise provided in this act,

(3) The members present at a duly organized meeting may continue to do business until adjournment, notwithstanding the withdrawal of enough members to leave less than a quorum,

(4) If a meeting cannot be organized for lack of a quorum, those present may, except as otherwise provided in this act,

adjourn the meeting to such time and place as they may determine.

(c) In the case of a meeting for the election of directors which is twice adjourned for lack of a quorum, those present at the second of such adjourned meetings shall constitute a quorum for the election of directors without regard to the other quorum requirements of this section, the articles or the bylaws.

Section 604. Voting Rights of Members.--(a) Except as otherwise provided in this act at every meeting of the members of an association the members shall have the right to vote as follows:

(1) In the case of a mutual association:

(i) Each borrowing member shall have one vote,

(ii) Each savings member shall have one vote. For each one hundred dollars (\$100) in excess of the first one hundred dollars (\$100) in a savings account such saver shall be entitled to one additional vote,

(iii) A member who qualifies in more than one of the above classes shall be entitled to cast the total number of votes for which he qualifies. A member may vote in person or by proxy and shall not sell his vote nor execute a proxy for any sum of money or anything of value.

(2) In the case of a permanent reserve fund stock association each member shall have one vote for each share of permanent reserve fund stock, or as defined in association bylaws.

(3) If the bylaws of an association so provide, in each election of directors of an association each member entitled to vote shall have the right to multiply the number of votes to which he may be entitled by the total number of directors to be elected, and he may cast the whole number of such votes for one candidate or he may distribute them among any two or more candidates.

((a) amended Apr. 9, 1982, P.L.334, No.94)

(b) A proxy:

(1) Shall be in writing and filed with the secretary of the association. Except as otherwise provided in the association's bylaws, a proxy shall be filed with the secretary not less than five days prior to the meeting at which the proxy is to be exercised.

(2) Shall, unless coupled with an interest, be revocable at will notwithstanding any agreement to the contrary, but the revocation of a proxy shall not be effective until written notice thereof has been given to the association,

(3) Shall not be revoked by the death or incompetency of the maker unless, before the vote is counted or the authority exercised written notice of such death or of an adjudication of such incompetence is received by the secretary.

((b) amended July 9, 1992, P.L.414, No.89)

Section 605. Voting by Fiduciaries and Pledgors.--(a) Savings accounts standing in the name of a fiduciary may be voted either in person or by proxy of the fiduciary.

(b) A member whose savings account is pledged shall be entitled to vote, in person or by proxy, until it has been transferred on the books of the association and thereafter the transferee shall be entitled to vote in person or by proxy.

Section 606. Voting by Joint Holders of Savings Accounts and by Joint Mortgagors.--(a) Voting rights which are held jointly or as tenants in common by two or more persons, as fiduciaries or otherwise, shall be deemed to be represented for the purpose of determining a quorum if one or more such persons are present in person or by proxy. Except as provided in

subsection (b) of this section, the vote shall be the vote cast by such persons or a majority of such persons but if such persons are equally divided upon the manner of voting, the voting rights held by them shall be divided equally among such persons, without prejudice to the rights of such joint owners or the beneficial owners thereof among themselves.

(b) Upon the filing with the secretary of the association of a copy, certified by an attorney at law to be correct, of the relevant portions of the agreement under which such savings accounts are held or of the instrument or decree of court by which the fiduciaries were appointed, or by decree of court directing the voting of such savings accounts, the persons specified as having such voting power in the latest such document shall be entitled to vote such savings accounts in accordance therewith.

Section 607. Voting Rights Held by Corporations.--An association or other corporation which holds voting rights of an association may vote the same by:

(1) Its president or a vice-president,

(2) A proxy appointed by its president or vice-president,
or

(3) A person appointed its general or special proxy by resolution of its board of directors or under a provision of its articles or bylaws a copy of which, certified to be correct by one of its officers, shall have been filed before the vote is taken with the secretary of the association in which the voting rights are held.

Section 608. Determination of Members of Record.--(a) The board of directors of an association may, except as otherwise provided in its bylaws, fix a date for the determination of the members entitled to receive notice of and to vote at any meeting or to receive any distribution or allotment of rights or a date for any change, conversion or exchange of savings accounts by:

(1) Fixing a record date not more than forty days prior thereto, or

(2) Closing the books of the association against transfers for all or part of such period by giving notice to each member of record at least ten days before the closing of the books.

(b) If no date for determination of members of record is fixed by the bylaws or pursuant to subsection (a) of this section, transferees of voting rights which are transferred on the books of the association within ten days of the date of a meeting of members shall not be entitled to receive notice of, or to vote at, the meeting.

(c) Holders of savings accounts which have been voluntarily or involuntarily withdrawn, or holders of savings accounts who have not assented to or have dissented from a merger or a consolidation, shall be entitled to notice of, and to vote at, any meeting of members, until they shall have been paid in full the amount lawfully due them on account of their savings accounts. The exercise of such right to vote at such a meeting shall not constitute waiver of, nor in any way affect, any rights granted by law to such members by virtue of their savings accounts having become fully paid, or of their withdrawal from the association, either voluntarily or involuntarily, or of their failure to assent to, or their dissent from, a plan of merger or consolidation.

Section 609. Judges of Election.--(a) One judge or three judges of election may be appointed:

(1) In advance of each meeting of members by the board of directors, or

(2) If the board of directors has not done so, at the meeting by the chairman of the meeting except that in such case, the holders of a majority of the voting rights present shall determine whether one or three judges are to be appointed. A judge of election need not be a member and a candidate for office shall not act as a judge.

(b) The judge or judges of election shall perform his or their duties impartially, expeditiously and in good faith and shall:

(1) Determine the number of voting rights entitled to be voted, the number represented at the meeting, the voting power of each and the existence of a quorum,

(2) Determine the authenticity, validity and effect of proxies,

(3) Receive votes or ballots, hear and determine all challenges and questions in any way arising in connection with the right to vote, count and tabulate the votes, and determine the result,

(4) Do whatever is appropriate to conduct the election or vote with fairness to all members,

(5) Act by majority vote, if there are three, and

(6) Upon request of the chairman or any person at the meeting, make a written report of any matter determined by him or them and execute a certificate of any fact found by him or them.

Section 610. Informal Action by Members.--Any action which may be taken at a meeting of members may, unless otherwise provided in the articles or bylaws, be taken without a meeting, if a consent or consents in writing, setting forth the action so taken, shall be signed by all the members who would be entitled to vote on such action at a meeting and shall be filed with the secretary of the association.

Section 611. Immunity of Savings Account Members.--A savings account member of an association shall not, merely by reason of his ownership of savings or voting rights, be personally liable for any debt or liability of the association.

Section 612. Disclosure of Information Concerning Accounts.--(a) Record books and accounts of associations are private and confidential and the contents thereof may not be divulged by any officer, director or employe of the association except to:

(1) Authorized employes of the Department of Banking,

(2) Authorized employes of the Department of Revenue of the Commonwealth of Pennsylvania,

(3) Authorized representatives of the Federal Home Loan Bank Board,

(4) Members of the Savings Association Board during hearing before the board who shall have the right to inspect the records of the association.

(5) Authorized representatives of the Pennsylvania Savings Association Insurance Corporation. ((5) added July 11, 1980, P.L.638, No.132)

(b) An association shall upon request furnish to any member information regarding his own account. The department shall by a regulation or ruling in any specific case, establish procedures for communication by one member of an association with other members of the same association, provided, that it determines that the request is made for legitimate purposes and can be complied with in such manner as not to disclose the investments of any members in the association. Any such communications shall be subject to the terms and conditions including payment of costs prescribed by the department.

ARTICLE VII
CORPORATE POWERS

Section 701. Powers of Associations.--(a) Every association incorporated pursuant to or operating under the provisions of this code shall have all of the powers enumerated, authorized, and permitted by this code and such other rights, privileges and powers as may be incidental to or reasonably necessary or appropriate for the accomplishment of the objects and purposes of the association. Among others, and except as otherwise limited by the provisions of this code, every association shall have the following powers:

(1) To have perpetual existence: to adopt and use a corporate seal, which may be affixed by imprint, facsimile, or otherwise; and to adopt and amend bylaws.

(2) To sue and be sued, complain and defend in courts of law or equity in its corporate name.

(3) To acquire, hold, sell, dispose of and convey real and personal property consistent with its objects and powers on such terms as to the association seem most advantageous; to mortgage, pledge, or lease any real or personal property; and to take property by gifts, devise, or bequest.

(4) To elect or appoint and remove officers, agents and employees of the association and define their duties and fix their compensation, and enter into employment contracts with them for such period or periods, not exceeding five years, as the board of directors shall determine.

(5) An association may borrow from the Federal Home Loan Bank such sums as are permitted by the rules and regulations of the Federal Home Loan Bank and such borrowings shall be in accordance with such rules and regulations as may be prescribed by the Federal Home Loan Bank. An association may borrow from the Pennsylvania Savings Association Insurance Corporation such sums as are permitted by the rules and regulations of the Pennsylvania Savings Association Insurance Corporation and such borrowings shall be in accordance with such rules and regulations as may be prescribed by the Pennsylvania Savings Association Insurance Corporation. An association may borrow from sources individual or corporate, an aggregate amount not in excess of fifty percent of its savings liability. An insured association shall also have the right to issue notes, bonds, debentures and other securities in accordance with such rules and regulations as are prescribed by the Office of Thrift Supervision, the Federal Deposit Insurance Corporation and the Department of Banking. Loans and other evidences of indebtedness may be secured by assets of the association. The pledge of assets may be with recourse. When authorized by statute, an association may also pledge its assets for public fund deposits to the extent the same are not insured. ((5) amended July 9, 1992, P.L.414, No.89)

(6) To qualify as and become a member of a Federal Home Loan Bank.

(7) To become a member of, deal with, or make reasonable payments or contribution to any organization to the extent that such organization assists in furthering or facilitating the association's purposes, powers or community responsibilities, and to comply with any reasonable conditions of eligibility.

(8) To maintain and let safes, boxes or other receptacles for the safekeeping of personal property upon such terms and conditions as may be agreed upon.

(9) To sell money orders, travelers checks and similar instruments as agent for any organization empowered to sell such instruments through agents within this Commonwealth and to receive money for transmission through a Federal Home Loan Bank, to issue credit cards, extend credit in connection therewith, and otherwise engage in or participate in credit card operation and to honor withdrawals by travelers' convenience withdrawals, subject to regulations issued by the department after giving due consideration to the laws and regulations applicable to Federal savings and loan associations. ((9) amended June 5, 1981, P.L.81, No.28)

(10) To act as fiscal agent of the United States, and, when so designated by the Secretary of the Treasury, to perform, under such regulations as he may prescribe, all such reasonable duties as fiscal agent of the United States as he may require; and to act as agent for any instrumentality of the United States and as agent of this Commonwealth or any instrumentality thereof.

(11) To service loans and investments for others, provided that the loans or investments were sold by the association.

(12) To act as trustee of funds or contributions received under a trust plan or instrument prepared in accordance with the requirements of the Self Employed Individuals Tax Retirement Act of 1962, its amendments and supplements, and the regulations promulgated thereunder, and the Employee Retirement System Income Security Act of 1974, its amendments and supplements, and the regulations promulgated thereunder, and as such trustee to invest such funds or contributions only in savings accounts, deposits, obligations and securities of the association which is insured by the Federal Savings and Loan Insurance Corporation pursuant to the provisions of the National Housing Act, its amendments and supplements or by the Pennsylvania Savings Association Insurance Corporation established by the act of April 6, 1979 (P.L.17, No.5), entitled "An act establishing the Pennsylvania Savings Association Insurance Corporation and providing for its powers and duties." ((12) amended July 11, 1980, P.L.638, No.132)

(13) To act as agent for others in any transaction incidental to the operation of its business.

(14) To sell with or without recourse and to purchase mortgages or other loans authorized by this act, including participating interests therein. ((14) amended Dec. 21, 1988, P.L.1427, No.174)

(15) ((15) repealed July 30, 1975, P.L.105, No.55)

(16) ((16) deleted July 11, 1980, P.L.638, No.132)

(17) To make application for and to obtain insurance of loans pursuant to national housing legislation.

(18) To make contributions and donations for the public welfare or religious, scientific or educational purposes.

(19) To use abbreviations, words or symbols in connection with any document of any nature and on checks, proxies, notices and other instruments which abbreviations, words, or symbols shall have the same force and legal effect as though the respective words and phrases for which they stand were set forth in full for the purposes of all statutes of the Commonwealth and all other purposes.

(20) To enter into a contract with any corporation authorized to transact the business of insurance in this Commonwealth, or to participate in, or become a member of a trust, fund, plan or agreement to provide retirement benefits, death benefits, or disability benefits, and to make such contributions out of the earnings of the association, as may

be required to provide these benefits; provided that an association shall send the department a copy of any such contract, trust, fund, plan or agreement and of all changes therein immediately after every adoption and change. ((20) amended June 5, 1981, P.L.81, No.28)

(21) To acquire savings and pay earnings or interest thereon, and to lend and invest its funds as provided in this code. ((21) amended Aug. 1, 1969, P.L.208, No.84)

(22) Notwithstanding any other provision of this act, associations shall have all powers granted to Federal savings and loan associations. Associations may invest in such bonds, capital stock obligations, and other securities that qualify for investment for any purposes by Federal savings and loan associations. The department may by regulation supervise the exercise of any additional powers which associations may acquire by virtue of this subsection. ((22) amended Apr. 9, 1982, P.L.334, No.94)

(23) An insured association issuing mortgage backed bonds may reinvest the accumulated principal payments on the mortgage collateral under regulations prescribed by the Federal Savings and Loan Insurance Corporation, or the Pennsylvania Savings Association Insurance Corporation, or may establish a sinking fund with the accumulated principal payments on the mortgage collateral. Such sinking fund investments shall be in bonds or other interest bearing obligations of the United States, or those for the payment of the principal and interest on which the faith and credit of the United States is pledged. ((23) amended July 11, 1980, P.L.638, No.132)

(24) Upon receiving written approval of the department an association may act as trustee, executor, administrator, guardian, or in any other fiduciary capacity in which banks, trust companies or other corporations are permitted to act. Such approval and the exercise of such powers shall be subject to regulations issued by the department after giving due consideration to the laws and regulations applicable to Federal savings and loan associations. The department shall also promulgate regulations governing the surrender or revocation of such powers. Upon receiving written approval of the department, service corporations may invest in State or Federally chartered corporations which are located in Pennsylvania and which are engaged in trust activities. ((24) added June 5, 1981, P.L.81, No.28)

(25) (i) In accordance with regulations issued by the department, mutual capital certificates may be issued and sold directly to subscribers or through underwriters. Such certificates shall constitute a part of the general reserve and net worth of the issuing association; and

(A) shall be subordinate to all savings accounts, savings certificates and debt obligations;

(B) shall constitute a claim in liquidation on the general reserves, surplus and undivided profits of the association remaining after the payment in full of all savings accounts, savings certificates and debt obligation;

(C) shall be entitled to the payment of dividends; and

(D) may have a fixed or variable dividend rate.

(ii) The department shall provide in its regulations for charging losses to the mutual capital certificate, reserves and other net worth accounts.

((25) added June 5, 1981, P.L.81, No.28)

(26) Except as provided in clause (27) any loans authorized by this code may be made at such interest, finance charge, rate, and/or terms herein authorized or at any interest, finance

charge, rate, and/or terms permitted any other lender regulated by the Commonwealth of Pennsylvania or Federally chartered institutions operating in Pennsylvania and regulated by the Federal Home Loan Bank Board. The department shall have power to issue regulations with respect to amounts, terms and conditions including prepayment penalties and late charges. ((26) amended Apr. 9, 1982, P.L.334, No.94)

(27) The extension of credit through the issuance and use of credit cards may be made at such interest, finance charge, rate and/or terms as may lawfully be permitted State chartered institutions as defined by the act of November 30, 1965 (P.L.847, No.356), known as the "Banking Code of 1965" or in accordance with the following:

(i) For cash advances such interest, finance charge, rate and/or terms shall be as provided in the "Banking Code of 1965."

(ii) For purchases of goods and services such interest, finance charge, rate and/or terms shall be as provided in the act of October 28, 1966 (1st Sp.Sess., P.L.55, No.7), known as the "Goods and Services Installment Sales Act."

((27) added Apr. 9, 1982, P.L.334, No.94)

(b) The powers granted in this section shall not be construed as limiting or enlarging any grant of authority made elsewhere by this act, or as a limitation on the purposes for which an association may be incorporated. It shall not be permissible or necessary to set forth any of such powers in the articles of the association. Except as otherwise provided in this act, or in the articles, or in the bylaws, such powers shall be exercised by the board of directors of the association.

ARTICLE VIII
SAVINGS OPERATIONS, EARNINGS, ACCOUNT
INSURANCE AND RESERVES
(Hdg. amended Nov. 26, 1978, P.L.1397, No.329)

Section 801. No Limitation on Savings Accounts.--An association may receive money for savings accounts without limitation as to number and amount of such accounts unless the board of directors shall fix limits therefor.

Section 802. Ownership.--Investments in savings accounts may be made only with cash and may be made by any person or persons in his or their own right or in a trust or other fiduciary capacity and by any partnership, association, corporation, political subdivision, public or governmental unit or entity.

Section 803. Savings Contracts.--Each holder of a savings account opened or created after the effective date of this act shall execute a savings contract setting forth any special terms and provisions applicable to such account and the conditions upon which withdrawals may be made not inconsistent with the provisions of this act. Such savings contract shall be held by the association as part of its records pertaining to such account.

Section 804. Types of Savings Contracts.--(a) An association may make any type of savings account contract including a savings deposit account, a savings account subject to withdrawal on demand, and an optional type savings account subject to withdrawal by a Negotiable Order of Withdrawal. Savings accounts shall be issued in accordance with such regulations as the department shall prescribe. No type of account may be created by any association which imposes fines as penalties for late payment or nonpayment for a period of longer than six months. The resolution of the board creating

the account may provide for transfer of the account at the termination of this period to another type of account.

(b) Any share certificates which may be outstanding upon the effective date of this act which were valid under prior law shall continue to be valid, with the same rights and privileges and subject to the same duties and liabilities as though such certificates were savings accounts opened in accordance with the terms of this act in the amount of the withdrawal value of such certificates.

(804 amended Dec. 21, 1988, P.L.1427, No.174)

Compiler's Note: Section 2 of Act 13 of 1983 provided that section 804 is repealed insofar as it is inconsistent Act 13.

Section 805. Evidence of Ownership of an Account.--The association shall issue to the holder of a savings account either an account book, a certificate or other evidence of ownership.

Section 806. Transfer of Savings Accounts.--Savings accounts shall be transferable only on the books of the association upon presentation of evidence of transfer satisfactory to the association accompanied by proper application for transfer by the transferee who shall accept such account subject to the terms and conditions of the savings contract, the bylaws of the association and the provisions of its articles of incorporation. The association may treat the holder of record of a savings account as the owner thereof for all purposes without being affected by any notice to the contrary unless the association has acknowledged in writing the interest of persons other than the holder of record.

Section 807. Savings Accounts of Minors.--An association may open savings accounts in the name of a minor as the sole and absolute owner of such savings account and receive payments thereon by or for such owner and pay withdrawals, accept pledges to the association and act in any other manner with respect to such accounts on the order of the minor. Any payment to a minor or a receipt or acquittance signed by the minor or any other action required by the association to be taken by the minor shall be binding upon such minor with like effect as if such minor were of full age and legal capacity and shall be a valid release to the association. The parent or guardian of such minor shall not, in his capacity as parent or guardian, have the power to attach, or in any manner transfer, any savings account owned and standing in the name of such minor.

Section 808. Savings Accounts in Two or More Names.--(a) When a savings account is opened in any association in the names of two or more persons whether minor or adult and the savings contract provides that the moneys in such account may be paid to or on the order of any one of such persons, then the association may pay the moneys in such account to or on the order of any one of such persons either before or after the death of the other person or persons named on such account and such association shall have no further liability for the amount so paid.

(b) If the savings contract provides that the signatures of more than one of such persons during their lifetimes or of more than one of the survivors after the death of any one of them are required on any receipt or withdrawal order then the association shall pay the moneys in the account only in accordance with such instructions; provided

(c) Any one of the parties to a joint account may give written notice to the association not to permit withdrawals in

accordance with the terms of the savings contract, in which event the association may refuse, without liability, to honor any receipt or withdrawal request on the account pending determination of the rights of the parties thereto.

Section 809. Pledge to Association of Joint Savings Accounts.--The pledge or hypothecation to any association of all or part of a savings account issued in the names of two or more persons signed by any person or persons upon whose signature or signatures withdrawal may be made from the account shall, unless the terms of the savings account provide specifically to the contrary, be a valid pledge and transfer to the association of that part of the account pledged or hypothecated and shall not operate to sever or terminate the joint and survivorship ownership of all or any part of the account.

Section 810. Savings Accounts of Fiduciaries.--If the fiduciary is permitted by law to make such investments an association may accept savings accounts in the name of any administrator, executor, custodian, guardian, trustee or other fiduciary for a named beneficiary or beneficiaries and any such fiduciary shall have the power to vote as a member as if the membership were held absolutely, to open and make additions to, and to withdraw from any such account in whole or in part. Except when otherwise provided by law, the payment to any such fiduciary or a receipt or acquittance signed by such fiduciary to whom any payment is made shall be a valid and sufficient release and discharge of an association for the payment so made.

Section 811. Trust Accounts Where Trust Instrument is Not Disclosed.--Whenever an account shall be opened by any person, describing himself in opening such account as a trustee for another person or persons and no other or further notice of the existence and terms of a legal and valid trust than such description shall have been given in writing to such association, withdrawals from such account may be made on the signature of the person so described as trustee, and in the event of the death of such person, the withdrawal value of such account, or any part thereof, together with earnings thereon, may be paid to the person or persons for whom the account was thus stated to be opened. The receipt or acquittance of any such beneficiary or beneficiaries for the payments made in accordance with this section shall be a full, complete and valid release of the association from any further liability for the amounts so paid.

Section 812. Powers of Attorney on Savings Accounts.--Any association may continue to recognize the authority of an attorney-in-fact authorized in writing to manage or to make withdrawals either in whole or in part from the savings account of a member until it receives written notice or is on actual notice of revocation of his authority. For the purposes of this section, written notice of the death or adjudication of incompetency of such member shall constitute written notice of revocation of the authority of his attorney-in-fact.

Section 813. Withdrawals from Savings Accounts.--Any savings account member may at any time withdraw all or any part of his savings account, including the right to effect such withdrawals by travelers' convenience withdrawals. If the savings account contract provides for withdrawal on demand, a savings account may be subject to withdrawal by check. An optional type savings account may be subject to withdrawal by a Negotiable Order of Withdrawal.

(813 amended Dec. 21, 1988, P.L.1427, No.174)

Compiler's Note: Section 2 of Act 96 of 1980, which amended 6. letter designation of section 813, provided that Act 96 shall take effect on the date that any Federally chartered savings association with its main office in Pennsylvania is permitted to offer a savings account subject to withdrawal by a Negotiable Order of Withdrawal.

Section 814. Redemption of Savings Accounts.--At any time funds are on hand for the purpose, an association shall have the right to redeem by lot or otherwise, as the board of directors may determine, all or any part of any of its savings accounts on an earnings date by giving thirty days' notice by registered or certified mail, addressed to each affected account holder at his last address as recorded on the books of the association. No association shall redeem any of its savings accounts when the association is subject to receivership action under the provisions of this act or when it has applications for withdrawal which have been on file more than thirty days and have not been reached for payment. The redemption price of savings accounts redeemed shall be the withdrawal value thereof. If the notice of redemption shall have been duly given and if on or before the redemption date the funds necessary for such redemption shall have been set aside so as to be and continue to be available therefor, earnings upon the accounts called for redemption shall cease to accrue from and after the earnings date specified as the redemption date and all rights with respect to such accounts shall forthwith, after such redemption date, terminate, except only the right of the account holder of record to receive the redemption price.

Section 815. Lien on Savings Accounts.--Every association shall have a lien, without further agreement or pledge, upon all savings accounts owned by any member to whom or on whose behalf the association has made an advance of money by loan or otherwise and upon the default in the repayment or satisfaction thereof the association may, without notice to or consent of the member, cancel on its books all or any part of the savings accounts owned by such member and apply the value of such accounts in payment on account of such obligation. An association may by written instrument waive its lien in whole or in part of any savings accounts. Any association may take the pledge of savings accounts of the association owned by a member other than the borrower as additional security for any loan secured by an account, or by an account and real estate, or as additional security for any real estate loan. Notwithstanding any other provision of this section, no association shall have a lien upon a savings account as a result of a default on any real estate loan, unless the said account is specifically pledged as security for the said real estate loan.

Section 816. Authorizing Payment of Earnings or Interest on Savings Accounts.--The board of directors shall determine the earnings or interest, if any, to be credited not less frequently than annually to savings accounts on the books of the association unless a savings account holder shall have requested and the association shall have agreed to pay earnings or interest on such savings account in cash. Earnings or interest payable in cash may be paid by check or bank draft. All accounts of the same type and class shall be paid the same rate of earnings or interest.

(816 amended Dec. 21, 1988, P.L.1427, No.174)

Section 817. Accounts Subject to Attachment.--Savings accounts of associations and Federal savings and loan associations shall be subject exclusively to attachment or any

similar process and shall not be subject to levy and sale on execution or proceedings supplementary thereto.

Section 818. Earnings Not Distributed.--An association may provide by resolution of its board of directors that it shall not distribute earnings on any savings account of less than a minimum amount fixed by such resolution, which amount shall be not more than fifty dollars (\$50), or on any Christmas club, vacation club or other similar account in which the account is listed for withdrawal no later than fifteen months after the date of opening; and may, by resolution of its board of directors, fix a lesser amount than such minimum with respect to the distribution of earnings on savings accounts established in connection with a program offered by such association to children for the encouragement of thrift.

Section 819. Service Charge.--An association may make a service charge of not more than five dollars (\$5) in any calendar year against any savings account if at the time any such charge is made:

(a) The association is not required to distribute earnings to such account,

(b) No payment has been made and no earnings have been distributed on such account for a period of at least thirty-six months next preceding the date on which such charge is made, and

(c) Thirty days prior to making the first service charge the association has mailed to the holder of such account at his last known address a notice that service charges will be made in accordance with this section.

(819 amended Dec. 13, 1979, P.L.522, No.115)

Section 820. Inactive Accounts.--Savings on which no payments have been made and on which earnings are unclaimed for a period of six years or longer may be listed for withdrawal by action of the association's board of directors without regard to any other provisions or limitations of the statute. Notice of such action shall forthwith be mailed to the holder of such savings at his last known address. Any such withdrawals that remain unclaimed after thirty days from the mailing of such notice may be placed in a special account held solely for the purpose of paying any future claims of the rightful owners thereof. Earnings shall cease to accrue on such withdrawals after the placing of the funds in the special account.

(820 amended Dec. 27, 1974, P.L.1012, No.329)

Section 821. No Duty on an Association to Determine Ownership of Funds Placed in Savings Accounts.--An association shall be under no duty to determine the ownership of funds received by it for saving accounts, but shall be entitled to rely on the savings account contract with the named owners. An association shall not be liable to any person claiming to be the owner, part owner, joint owner or beneficiary in any savings account unless such person is named as owner or beneficiary therein or the association is supplied with a decree or order of court determining ownership.

Section 822. Reserves.--(a) Every association shall maintain general reserves which shall be used solely for the purpose of absorbing losses. Such reserves shall consist of all or any of the following:

(1) A reserve for contingent losses,

(2) A reserve for bad debts,

(3) In the case of an association whose accounts are insured by the Federal Savings and Loan Insurance Corporation, a Federal insurance reserve.

(b) Whenever the general reserves plus capital and capital surplus of an association are not equal to at least eight percent of the savings accounts and whenever the net worth of an association is not equal to at least ten percent of such savings accounts it shall credit to its general reserves each year an amount equal to not less than five percent, and as much more as it may deem desirable, of its net profits for the year. ((b) amended Dec. 21, 1988, P.L.1427, No.174)

(c) Any net income remaining after reserve requirements are met and earnings distributions have been made may be retained in a surplus account.

Section 823. Account Insurance.--(a) Each association subject to this act shall obtain insurance of accounts as soon as the association can qualify for such coverage as provided by the Federal Deposit Insurance Corporation or the National Credit Union Administration.

(a.1) Notwithstanding any provision to the contrary, no association may conduct the business of an association after thirty months from the effective date of this subsection unless its deposits are insured by the Federal Deposit Insurance Corporation or National Credit Union Administration.

(a.2) A PSAIC insured association shall receive a refund of its capital deposit, to the extent that it exists, from the PSAIC pursuant to the following conditions:

(1) An association which files an application for Federal deposit insurance with the Federal Deposit Insurance Corporation no later than eighteen months from the effective date of this subsection and which application is deemed to be substantially complete by the Federal Deposit Insurance Corporation, at such time as the association shall withdraw from the PSAIC.

(2) An association which, no later than eighteen months from the effective date of this subsection, files an application with the department pursuant to Article XI and/or any appropriate Federal regulator to merge or consolidate with an existing federally insured institution and which application is deemed to be substantially complete by the department and/or any appropriate Federal regulator, at such time as the association withdraws from the PSAIC.

(3) An association which files a certificate of election to dissolve no later than eighteen months from the effective date of this subsection, at such time as the association withdraws from the PSAIC.

(4) An association which files an application to merge or convert pursuant to the provisions of section 1101.1 and which application is deemed to be substantially complete by the department and/or any appropriate Federal regulator no later than eighteen months from the effective date of this subsection, at such time as the association shall withdraw from the PSAIC.

(5) An association which fails to file a substantially complete application for Federal deposit insurance with the Federal Deposit Insurance Corporation or fails to file a substantially complete application to merge or consolidate with a federally insured institution or fails to file a substantially complete application to merge with or convert to a credit union pursuant to section 1101.1 or fails to file a certificate of election to dissolve no later than eighteen months from the effective date of this subsection shall receive a refund of its capital deposit to the extent that it exists pursuant to the provisions of section 823.2(c).

(a.3) Upon a PSAIC insured association's application to the department, the deadline for obtaining Federal insurance as set forth in subsection (a.1) may be extended for a period deemed

appropriate by the department. The department's discretion in granting the extension shall be based on whether:

(1) The association has filed an application for extension of the deadline at least thirty days prior to the deadline set forth in subsection (a.1).

(2) The association has complied with the filing requirements of this section.

(3) The association is in compliance with all other provisions of this act.

(4) The department determines that the association has been diligent in fulfilling its obligations under this act.

(5) The department determines that the association has replied in a timely fashion to all reasonable requests for information from any regulatory agency.

(6) Other compelling reasons relative to this act which the department deems appropriate.

(b) An association which is not insured or which loses its insurance may become the subject of a charter revocation proceeding by the department.

(823 amended Dec. 21, 1998, P.L.1002, No.132)

Section 823.1. Dissolution.--Notwithstanding section 1207, a PSAIC insured association which fails to file a substantially complete application for Federal insurance of its accounts as an insured institution or an application with the department or any Federal banking regulator as required by law for merger with an existing federally insured institution or an application to merge with or convert to a credit union within the time period set forth in section 823 may be subject to the imposition of a plan of dissolution by the department. The distribution of assets shall be in accordance with section 1208.

Additionally, the department may appoint a conservator to the association who shall have full authority to wind up the affairs of the association, including filing dissolution documents with the department or other relevant agency. The board of directors and the members shall have no authority upon appointment of a conservator.

(823.1 added Dec. 21, 1998, P.L.1002, No.132)

Section 823.2. PSAIC.--(a) Notwithstanding any provision of law to the contrary, including, without limitation, the provisions of the act of April 6, 1979 (P.L.17, No.5), referred to as the Pennsylvania Savings Association Insurance Corporation Act, or any bylaws, rules or regulations issued pursuant thereto, a PSAIC insured association which complies with the filing requirements of section 823 shall withdraw from the PSAIC by providing written notice of withdrawal to the board of directors of the PSAIC and shall receive a refund of the association's capital deposit to the extent that it exists within sixty days of the written notice.

(b) Notwithstanding any provision of the Pennsylvania Savings Association Insurance Corporation Act or any law to the contrary, all of the PSAIC corporate powers shall be exercised by a board of directors, the number and qualifications of which shall be established by the PSAIC's bylaws. In addition to the directors elected by the member associations as provided in the bylaws of the PSAIC, the directors shall appoint up to five additional directors of the PSAIC at such time as the department deems appropriate, subject to written approval of each additional director by the department within sixty days of receipt by the department of written notice from the PSAIC that it has selected such a director. The five additional directors of the PSAIC shall represent the public interest and serve for a term of four years or until replaced. The terms shall commence

on the date of the first meeting of the board of directors held following their appointment. Any director so appointed shall not be affiliated, either directly or indirectly, with any PSAIC member association, shall have a general knowledge of the financial services industry, shall be a registered voter of and shall reside in this Commonwealth. Any vacancy occurring in the term of any director shall be filled by the directors within sixty days.

(c) Notwithstanding any provision of the Pennsylvania Savings Association Insurance Corporation Act or any other law to the contrary, the board of directors of the PSAIC shall proceed to dissolve the PSAIC under 15 Pa.C.S. Ch. 59 Subch. F (relating to voluntary dissolution and winding up) at such time when all member associations have withdrawn from the PSAIC, by the adoption of a resolution. At such time, the board of directors of the PSAIC may elect to reimburse the capital deposit of an association which did not comply with the provisions of section 823. At such time that the PSAIC has no outstanding liabilities, the PSAIC may distribute its retained earnings to the associations which were members of the PSAIC on June 30, 1996. The retained earnings of the PSAIC shall be distributed on a pro rata basis. The pro rata distribution shall be calculated by dividing an association's capital deposit liabilities as of June 30, 1996, by the total capital deposits of all associations belonging to the PSAIC on June 30, 1996.

(823.2 added Dec. 21, 1998, P.L.1002, No.132)

Section 824. Cashing Checks for Senior Citizens.--An institution shall after proper identification of payee cash, without charge, any State or Federal Government check presented for payment by the payee of the check who is a senior citizen sixty-five years of age or older.

(824 added June 5, 1981, P.L.81, No.28)

Section 825. Dividends on Permanent Reserve Fund Stock.--An association may not more frequently than it credits or pays earnings to savings accounts pay a dividend on permanent reserve fund stock subject to the following conditions:

(1) The association shall have during the then current year, from its net earnings, credited or paid earnings on its savings accounts,

(2) The association shall have from its net earnings of the then current year in which the dividend is to be paid credited to its general reserves such amounts as may be required by the department, and

(3) No dividends shall be declared for permanent reserve fund stock that will impair reserves as set forth in section 822 or 10 Pa. Code section 40.1 except upon written permission by the department.

(825 added Apr. 9, 1982, P.L.334, No.94)

ARTICLE IX INVESTMENT OPERATIONS

Section 901. Loans on Security of Real Estate.--An association may make a loan or participate in making loans or buy or sell participations in loans secured by a mortgage which is a lien on real estate located in the regular lending area of the association, owned by the borrower in fee or in which he has a leasehold interest. The total of all liens held by an association and all prior liens against real estate shall not exceed the maximum percentages of fair market value set forth in the subsections of this article. The loan shall be evidenced by a bond, note or other evidence of indebtedness and shall be

made upon the security, terms and conditions and in the amount set forth in this article for such loan. Mortgage loans and participations shall be primarily on one to four family residential properties.

(901 amended June 5, 1981, P.L.81, No.28)

Section 902. Eighty Percent Loans on Properties Designed Primarily for Residential Use by Not More Than Four Families.--An association may make a mortgage loan on the security of real estate on which there is erected a building, a substantial portion of which is used as a one to four family residential structure or upon the security of real estate upon which such a building is to be erected and the loan is made for financing the construction of such building. A loan made under this section shall not exceed eighty percent of the fair market value of the property. An association may make a mortgage loan which exceeds eighty percent but does not exceed ninety percent of the fair market value of a one to four family residential structure or upon the security of real estate upon which such a building is to be erected and the loan is made for financing the construction of such building: Provided, That the principal portion of the loan in excess of seventy-five percent of the value is insured with a private mortgage guaranty company licensed to do business in the Commonwealth of Pennsylvania and approved by the department.

(902 amended July 22, 1977, P.L.92, No.33)

Section 903. Over Eighty Percent Loans on One Family Residential Properties.--An association may make a mortgage loan which exceeds eighty percent, but does not exceed ninety percent, of the fair market value of a one family residential property if the following conditions are met:

(a) ((a) repealed Dec. 27, 1974, P.L.1012, No.329)

(b) The real estate shall be improved with a structure designed for residential use for one family or the loan is made to finance the construction of a structure designed for residential use for one family. Where the loan is made to finance construction, there shall not be disbursed on said loan in excess of eighty percent of the fair market value of the real estate unless construction has been fully completed and title is in the name of the owner who is occupying or will occupy the home as his residence or unless the owner is the buyer who has executed an agreement with the association assuming and agreeing to pay the mortgage.

(c) The principal of the obligation of the loan shall not exceed thirty thousand dollars (\$30,000) unless the department by regulation approves the granting of loans under this subsection in amounts greater than thirty thousand dollars (\$30,000). ((c) amended Dec. 1, 1971, P.L.572, No.148)

(d) The principal amount of all loans made under this section shall not exceed twenty percent of the association's assets. In calculating the said twenty percent there shall be deducted all loans on which the unpaid balance is less than eighty percent of the fair market value at the date of the making of the loan. Said twenty percent shall be in addition to any percentage of loans permitted to be invested in any other type of mortgage. The limitations of this subsection shall not apply to any loan during the time that at least the top twenty percent of said loan is insured with a reputable private mortgage guarantee company licensed to do business in the Commonwealth of Pennsylvania and approved by the department. The said limitation shall not apply when the mortgage qualifies in all respects as an eighty percent or less loan.

(e) Loans in excess of the percentage herein authorized may be made on one family residential properties in such amounts and in such percentages and on such conditions as the department may by regulation authorize. ((e) added Dec. 1, 1971, P.L.572, No.148)

Section 904. Seventy-five Percent Loans on Properties Designed Primarily for Residential Use by Five or More Families.--An association may make a mortgage loan not exceeding seventy-five percent of the fair market value of a property designed primarily for residential use by five or more families or upon the security of real estate on which such a building is to be erected or upon the security of real estate on which a building consisting of dwelling units used to house persons affiliated with a college, university, hospital or other institution is erected or to be erected. The department may by regulation authorize loans in excess of seventy-five percent of the fair market value on any or all of the aforescribed properties.

(904 amended Dec. 1, 1971, P.L.572, No.148)

Section 905. Loans on Other Income Producing Properties.--An association may make a mortgage loan not exceeding ninety percent of the fair market value of an income producing property not designed primarily for residential use limited to not in excess of twenty percent of the assets of an association. Such mortgage loans shall be a first lien on the premises described in the mortgage.

(905 amended June 5, 1981, P.L.81, No.28)

Section 906. Insured or Guaranteed Loans.--The maximum limitations on loans set forth in sections 902 through 905 inclusive, as to percentage of fair market value of properties on which loans are made, shall not apply to loans insured or guaranteed in whole or in part by the United States, or by the Commonwealth of Pennsylvania, or any instrumentality of either of them or if there is a commitment to so insure or guarantee.

(906 amended June 5, 1981, P.L.81, No.28)

Section 907. Limitation on Aggregate of Loans Made on Five or More Family Residential Properties, Development Loans, and Other Income Producing Properties.--The aggregate of all loans made by an association on residential properties for five or more families, development loans, and other income producing properties and of participation loans secured by such properties shall not exceed fifty percent of the assets of the association.

(907 amended Dec. 27, 1974, P.L.1012, No.329)

Section 908. Development Loans.--(a) An association may lend on the security of developed building lots or sites, or for the acquisition and development of land into building lots or sites not in excess of seventy-five percent of the fair market value of the real estate security as of the date of the advancement of the funds and such loans may be combined with construction loans and permanent loans, subject to the following conditions:

(1) If the building lots or sites are completely developed at the time the loan is made the security documents shall require the borrower within a period of not more than six months to commence construction of one to four family residential structures on a specified number of such building lots or sites and within a period of eight years to complete construction of said structures on all of the building lots or sites.

(2) If the building lots or sites are to be developed out of the proceeds of the loan the security documents shall require development of the real estate security to be commenced in not more than nine months.

((a) amended June 5, 1981, P.L.81, No.28)

(b) An association may lend not over seventy percent of the fair market value of real estate security for the acquisition and development or the development of land for such purposes as the department may by regulation authorize.

(c) The total of all disbursed unrepaid loans under this section shall not at any time exceed ten percent of the assets of the association.

(d) Notwithstanding the provisions of subsections (a) and (b) of this section an association may lend to an individual on the security of a developed building lot or site designed for the erection of his permanent one family residence, without any requirement for the commencement of construction, not in excess of ninety percent of the fair market value, provided the security document shall require the borrower to repay the loan in a period not longer than fifteen years and shall require equal monthly payments throughout said fifteen-year period sufficient to result in an amortization of not less than thirty percent of the principal amount of the loan at the expiration of fifteen years. ((d) amended June 5, 1981, P.L.81, No.28)

Section 909. Loans for Housing for the Aging.--An association may grant mortgage loans in an amount not exceeding at any time ten percent of its assets in loans or participating interests therein to provide housing facilities for the aging which facilities are existing or are to be constructed for such purpose or altered for such purpose. No such loans shall exceed ninety percent of the fair market value of the improved real estate given as security therefor.

(909 amended Dec. 13, 1979, P.L.522, No.115)

Section 910. Urban Renewal Loans.--An insured association may grant or participate in a grant of mortgage loans within an urban renewal area as defined in subsection (a) of section 110 of the Housing Act of 1949 as amended, provided, such loans shall not exceed ninety percent of the fair market value of any type of improved property. An association may make investments in real property and obligations secured by liens on real property located within a geographic area or neighborhood receiving concentrated development assistance by a local government under Title I of the Housing and Community Development Act of 1974 (Public Law 93-383) limited to not in excess of two percent of the assets of an association.

(910 amended June 5, 1981, P.L.81, No.28)

Section 911. Limitation on Loans and Participation in Loans in Urban Renewal Areas.--The aggregate amount that an association may invest in loans and participations in loans in urban renewal areas plus the amount of real property owned by the association in urban renewal areas, plus investments made in accordance with the provisions of subsection 922 (j) of this act shall not exceed five percent of the assets of the association. Loans in urban renewal areas which meet all of the requirements of this act without the benefit of the authority to make such loans as contained in section 910 shall not be included in said five percent limitation.

Section 912. Business Development Credit Corporation Loans.--An association may make such mortgage loans as are authorized by the Business Development Credit Corporation Law of 1959 (P.L.1647), as amended, and as authorized or permitted by the act of August 23, 1967 (P.L.251), known as the "Industrial Development Authority Law."

(912 amended Dec. 1, 1971, P.L.572, No.148)

Section 913. Construction Loans.--(a) Any mortgage herein authorized may be made for the acquisition and construction or

the construction of a structure as hereinbefore classified for loans on improved real estate. The security documents shall specify the terms upon which advances are to be made on such construction loan and it may be combined with a permanent loan to continue after completion of the construction.

(b) An association may also make construction loans without security. In such loans the investment shall not exceed the greater of:

(1) The sum of its surplus, undivided profits, and reserves; or

(2) Five percent of the assets of the association.

(c) The principal purpose of such construction loans without security, as provided in subsection (b), shall be to provide financing with respect to what is, or is expected to become primarily residential real estate where:

(1) the association relies substantially for repayment on the borrower's general credit standing and forecast of income without other security; or

(2) the association relies on other assurances for repayment, including, but not limited to a guarantee or similar obligation of a third party.

(d) Investments in construction loans without security shall not be included in any percentage of assets or other percentage referred to in this act.

(913 amended June 5, 1981, P.L.81, No.28)

Section 914. Additional Collateral for Mortgage Loans.--(a) Any mortgage loan may be increased by the withdrawal value of any savings account pledged to the association by the borrower or any savings account holder as additional security for such loan. Such savings account or accounts assigned or pledged as additional collateral security for the loan by the borrower or any other savings account owner may be released by the association whenever the mortgage loan meets all of the requirements of this act and may be legally made at the time of release without the requirement of additional collateral.

(b) An association may accept and hold additional collateral of any kind if the loan meets all of the requirements of this act and could have been legally made without such additional collateral.

Section 915. Terms of Mortgage.--Mortgages other than those set forth in subsections (c), (d), (e), (f), (k) and (l) of this section shall be written on such basis and in such aggregate amounts as the department may by regulation authorize or on a monthly direct reduction loan basis and the contract shall provide that the first monthly payment shall be made not later than sixty days after the advance of the loan, provided however: (Par. amended June 5, 1981, P.L.81, No.28)

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

(b) If the term of the loan is for a period not exceeding ten years and if the loan together with all other loans held by the association on the security of the same property does not exceed sixty-six and two-thirds percent of the fair market value of such property the loan may be made without provision for monthly amortization provided, however, that the security

documents require the payment of interest not less frequently than semi-annually.

(c) If the loan is made for the purpose of financing new construction of a one to four family residential property and is in an amount not to exceed eighty percent of the fair market value thereof it may be made for a term not exceeding twenty-four months without requiring amortization during said twenty-four months. Interest shall be payable not less frequently than semi-annually. If the loan is for the purpose of financing construction of residential property designed for use by more than four families and in an amount not exceeding seventy-five percent of the fair market value it may be made for a period not exceeding twenty-four months without amortization but interest shall be payable not less frequently than semi-annually. Notwithstanding the foregoing the department may by regulations extend the first monthly payment date on construction loans to a period later than twenty-four months if the construction loan meets the requirements of the regulations of the department.

(d) If the loan is made for the purpose of facilitating the trade-in or exchange of residential real property a substantial portion of which is used as a dwelling for not more than four families and does not exceed ninety percent of the fair market value of the property it may be made for a term not exceeding eighteen months without amortization but interest shall be payable not less frequently than semi-annually. ((d) amended June 5, 1981, P.L.81, No.28)

(e) Any development loan under section 908 shall be repayable within eight years and the interest on any such loan shall be payable at least semi-annually. ((e) amended June 5, 1981, P.L.81, No.28)

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

(g) Interest; premiums and charges:

(1) Loans 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: Provided, That any applicant to whom a variable interest rate mortgage is offered is also offered a direct reduction loan at reasonably competitive terms and rate, and that any association offering variable interest rate loans which ceases to offer such loans shall be prohibited from again offering variable interest rate loans for a period of seven years from the date of making its last variable interest rate loan, ((1) amended Dec. 13, 1979, P.L.522, No.115)

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

(3) If the borrower shall prepay a loan upon which the association has deducted a premium in advance no refund shall

be required if the amount of said premium amounts to two percent or less of the amount of the loan. However, if the premium exceeds two percent of the amount of such loan the association shall not retain more than one one-hundredth of such premium for each calendar month that has expired since the date of the first advance of funds under the loan,

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

(5) An association may levy a reasonable charge upon any corporation or person applying for a mortgage loan for its services in making searches of title and appraising the real property offered to the association as security, in drawing any papers incident to the loan for which such real property is given as security, and in taking any other action permitted or required by law with respect to such loan, including the reducing of the amount of the loan, extending its maturity or otherwise readjusting or refinancing it, releasing any portion of the security and for any other action by the association permitted or required by law with respect to such loans,

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

(7) Borrowers shall have the right to repay a residential mortgage as defined in the act of January 30, 1974 (P.L.13, No.6) without the payment of any prepayment penalty or other charge for such prepayment at any time before the end of the period of the loan. On all other loans such limitations on prepayment and prepayment penalties and charges may be made and changed as are provided in the loan contract.

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

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

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

(k) Except in the case of a due-on-sale clause or except in the case of a default and in accordance with the act of January 30, 1974 (P.L.13, No.6), referred to as the Loan Interest and Protection Law, no loan for financing the purchase of an owner occupied one or two family residential property shall contain a provision that the loan may be accelerated at the lender's option. Balloon loans are prohibited for financing the purchase of an owner occupied one or two family residential property. This restriction shall apply to all commitments for

mortgage loans granted subsequent to the effective date of this subsection. ((k) added June 5, 1981, P.L.81, No.28)

(l) Whenever a renegotiable or adjustable rate mortgage loan is to be made under the authority of this act, the initial or base value of the reference index to be utilized shall be committed to the borrower at the same time that the initial contract interest rate is committed to the borrower and shall be entered in the loan documents as a contractual provision of the loan. ((l) added June 5, 1981, P.L.81, No.28)

(915 amended Oct. 5, 1978, P.L.1123, No.263)

Section 916. Limitation on Amount of Loans to Any One Borrower.--An association shall not, directly or indirectly, grant loans, except loans secured by savings accounts in the association, to any one corporation or person to a total amount in excess of ten percent of the amount of its savings.

(a) In computing the total loans made by an association to an individual, there shall be included all loans made by the association to a partnership or other unincorporated association of which he is a member, all loans made either for his benefit or for the benefit of such partnership or other unincorporated association, and all loans to or for the benefit of a corporation of which he owns twenty-five percent or more of the capital stock.

(b) In computing the total loans made by an association to a partnership or other unincorporated association, there shall be included all loans to its individual members, all loans made for the benefit of such partnership or other unincorporated association, or of any member thereof, and all loans to or for the benefit of any corporation of which the partnership or unincorporated association, or any member thereof, owns twenty-five percent or more of the capital stock.

(c) In computing the total loans made by an association to a corporation, there shall be included all loans made for the benefit of the corporation and all loans to or for the benefit of any individual who owns twenty-five percent or more of the capital stock of such corporation.

(916 amended Dec. 21, 1988, P.L.1427, No.174)

Section 917. Right to Make, Purchase, Sell and Participate in Mortgages and Other Loans.--(Hdg. amended Dec. 21, 1988, P.L.1427, No.174) (a) An association may purchase and sell loans and participations in loans and participate with other lenders in originating and making any type of loan that it is authorized to make under the provisions of this act. ((a) amended Dec. 21, 1988, P.L.1427, No.174)

(b) In addition to the authority set forth in sections 901 and 910 of this article, an association shall have the right to make and purchase mortgages or participations in mortgages secured by property outside its regular lending area, subject to the following conditions:

(3) No mortgage shall be made nor shall a mortgage or participation interest in a mortgage be purchased unless the mortgage is one that the association could make under the provisions of this act if the security property were within its regular lending area, provided, however, that if the mortgage which is being purchased or in which a participation is being purchased is in a state other than the Commonwealth of Pennsylvania and mortgage guarantee insurance is required, the insurer shall be a company that is authorized to do business in the state in which the real property which is security for the mortgage loan is situated.

(4) The dollar amount that an association may have invested in mortgages and participation loans outside its regular lending

area shall at no time exceed fifty percent of the assets of the association. This limitation shall not apply to loans insured or guaranteed in whole or in part by the United States or any instrumentality thereof or if there is a commitment to so insure or guarantee.

(5) Such further conditions as the department may prescribe by regulation, giving primary consideration to the Declaration of Purposes as provided under section 103 of this act.

((b) amended Dec. 13, 1979, P.L.522, No.115)

Section 918. Loans for Property Repair, Alteration and Improvement.--Notwithstanding any other provisions of this or any other act an association may grant loans for repair, alteration or improvement of real property without the necessity of mortgage security subject to the following provisions:

(a) When such loans are insured or will be insured under Title I of the National Housing Act they may be granted in any amount and on any terms permitted by that act or the regulations issued thereunder.

(b) When any such loan is not insured under Title I of the National Housing Act 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 judgment note or other written evidence of debt requiring repayment in regular monthly installments over a period not exceeding that amount authorized under Title I of the National Housing Act with annual interest at a rate not exceeding 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 on the declining balance except that loans over five thousand dollars (\$5,000) shall be recorded or filed so as to create a lien position in the county in which the real estate is located. A loan is authorized under this section only if the association prepares and 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 association while the loan is outstanding and for a period of one year thereafter. The note or other written evidence of debt shall 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. In addition to the interest herein authorized an association 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 a delinquency on a prior installment in an amount not to exceed the lesser of five dollars (\$5.00) 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,

(5) Actual expenditures including reasonable attorneys' fees for proceedings to collect the loan.

((b) amended Dec. 13, 1979, P.L.522, No.115)

(c) The aggregate amount of all such loans held by any one association at one time with or without Title I insurance shall not exceed twenty percent of its total assets. Any such loan made without Title I insurance shall also conform to rules and regulations which may be prescribed from time to time by the department.

Section 919. Consumer Loans and Certain Securities.--An association may make secured or unsecured loans for personal, family or household purposes, and may invest in, sell, or hold commercial paper and corporate debt securities subject to regulations issued by the department after giving due consideration to the laws and regulations applicable to Federal savings and loan associations. The total of such loans and investments are limited to not in excess of twenty percent of the assets of the association.

(919 amended June 5, 1981, P.L.81, No.28)

Section 920. Loans on the Security of Savings Accounts and Certificates.--Subject to regulation by the department, an association may make loans on the security of its savings accounts and certificates whether or not the borrower is the owner of such account, provided:

(a) The association obtains a lien upon or a pledge of such savings accounts and certificates as security therefor,

(b) The loan shall not exceed the withdrawal value of the savings account and certificates securing the loan.

(c) Notwithstanding different provisions of any other act, interest on loans secured by savings accounts and certificates shall be at least one percent higher than the rate of earnings paid by the association on the account or certificate securing the loan.

(920 amended Dec. 21, 1988, P.L.1427, No.174)

Section 921. Educational Loans.--Associations may invest in loans, obligations and advances of credit (all of which are hereinafter referred to in this section as "loans"), made for the payment of expenses incurred or to be incurred in acquiring an education at a post secondary institution of higher learning, but no association shall make any investment in loans under this section if the principal amount of its investment in such loans would thereupon exceed five percent of its assets. Such loans shall be made under such regulations as the department may prescribe. In the event that the department shall not prescribe regulations then said loans shall be made under such regulations as are issued under and in accordance with the Pennsylvania Higher Educational Assistance Agency Act. Any person under the age of twenty-one years securing an educational loan under this section or an educational loan made by a Federal association shall be deemed to have full legal capacity to contract and shall have all rights, powers, privileges and obligations of a person of full age with respect thereto.

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

(a) In bonds or other interest-bearing obligations of the United States, or those for the payment of the principal and interest on which the faith and credit of the United States is pledged,

(b) In bonds, debentures and other obligations of the Federal Home Loan Banks issued under the provisions of the Federal Home Loan Bank Act,

(c) In bonds or interest-bearing debentures issued by the Federal Savings and Loan Insurance Corporation under the provisions of Title IV of the National Housing Act,

(d) In bonds or other interest-bearing obligations of the Commonwealth of Pennsylvania, or those for the payment of principal and interest on which the faith and credit of this Commonwealth is pledged,

(e) In obligations issued by the Federal National Mortgage Association under the provisions of the National Housing Act, its amendments and supplements, but the aggregate amount of all such investments held by an association at any one time shall not exceed five percent of its savings accounts,

(f) In stock of the Federal National Mortgage Association acquired by an association through making nonrefundable capital contributions in connection with the sale of mortgages to the Federal National Mortgage Association,

(g) In demand, time, or savings deposits, shares or accounts or other obligations of any financial institution, the accounts of which are insured by a Federal agency,

(h) In shares, bonds or notes of any State or regional business development credit corporation formed under the laws of this Commonwealth, or in bonds, notes or any other obligation authorized or permitted by the act of August 23, 1967 (P.L.251), known as the "Industrial Development Authority Law," ((h) amended Dec. 1, 1971, P.L.572, No.148)

(i) In bonds and notes of the Pennsylvania Housing Agency created by the "Housing Agency Law,"

(j) An insured association may invest in obligations in the form of a bond or other instruments secured by a first lien on improved real property located within the regular lending area of the association and within an urban renewal area as defined in subsection (a) of section 110 of the Housing Act of 1949 as amended. No such investment shall be made if the total amount of all obligations issued on the security of the said first lien exceeds eighty percent of the fair market value of the security property, or if the obligations do not require repayment of the entire principal debt, together with interest, in substantially equal payments, at least annually, over a term of not more than thirty years. No investment shall be made under this subsection if the amount of such investment, plus all amounts outstanding in investments made in accordance with this subsection and in mortgages made under section 910 of this act and investments in real estate made under section 923 (c) of this act, would aggregate a total in excess of five percent of the association's assets,

(k) In obligations of any county, city, borough, town, township, district, institution district or other political subdivision of the Commonwealth of Pennsylvania having the power to levy taxes: Provided, That the faith and credit of such political subdivision is pledged for the payment of said obligations: And provided further, That at the date of the investment in such obligations such political subdivision is not in default in the payment of any part of the principal or interest owing by it upon any part of its funded indebtedness,

(l) In obligations of a Pennsylvania municipality authority issued in accordance with applicable law, provided, however,

(1) The obligations are not in default and for the period of five fiscal years next preceding the date of acquisition, the income of such authority available for fixed charges has averaged not less than one and one-tenth times the average annual fixed charges of its obligations over the life of such obligations, or

(2) The project for which the obligations were issued,

(i) Is under lease to a school district or school districts,
or

- (ii) Is under lease to a municipality or municipalities, or
- (iii) Is subject to a service contract with a municipality or municipalities, and
- (iv) As a condition of said lease or service contract the authority will receive lease rentals or service charges available for fixed charges on the obligations which will average not less than one and one-tenth times the average annual fixed charges for such obligations over the life thereof.
- (3) As used in this section the term "income available for fixed charges" shall mean income after deducting operating and maintenance expenses.
- (4) The term "fixed charges" shall include principal, both maturity and sinking fund, and interest on bonded debt.
- (5) In computing the income available for fixed charges for the purpose of this section, the income so available of any corporation acquired by any municipality authority may be included, such income to be calculated as though such corporation had been operated by a municipality authority and an equivalent amount of bonded debt were outstanding.
- (m) In bonds or other interest-bearing obligations of The General State Authority,
- (n) In capital stock obligations or other securities of any service corporation if the entire capital stock of such corporation is available for purchase only by savings associations and savings banks organized and existing under the laws of the Commonwealth of Pennsylvania, by Federal savings and loan associations having their home offices in the Commonwealth of Pennsylvania, by regional thrift institutions, as that term is defined in section 114, and by foreign thrift institutions, as that term is defined in section 114. The department shall have the right to define service corporations and the activities thereof. An association may make investments in service corporations up to three percent of its assets plus such additional percentage of assets as the department may by regulation authorize, ((n) amended July 9, 1992, P.L.414, No.89)
- (o) In obligations issued or guaranteed by the International Bank for Reconstruction and Development or by the Inter-American Development Bank, or in loans in Latin American countries guaranteed by the United States (acting through AID) under subsection 224 of the Foreign Assistance Act of 1961, as amended,
- (p) In bankers' acceptances and bills of exchange eligible for purchase in the open market by a Federal Reserve Bank which have been accepted by a member of a Federal Reserve Bank subject to a limit for all acceptances by one acceptor held at any time of twenty-five percent of the capital and surplus of such acceptor and to a limit to the aggregate of all such acceptances held at any time of five percent of the assets of the association,
- (q) In such obligations of any corporation organized or caused to be organized by the United States of America or the Commonwealth of Pennsylvania as the department may by regulation authorize.
- (r) An association may invest its assets in time deposits of the Bank for Savings and Loan Associations, Chicago, Illinois. ((r) added Dec. 27, 1974, P.L.1012, No.329)
- (s) With the prior approval of the department, in up to one hundred percent of the stock of a bank, a bank and trust company, a trust company, a bank holding company, a savings bank, a regional thrift institution, a regional thrift institution holding company or a foreign thrift institution or

a foreign thrift institution holding company, as those terms are defined in the Banking Code of 1965 and in section 114.

((s) amended July 9, 1992, P.L.414, No.89)

Section 922.1. Other Investments.--Notwithstanding any other provision of this act and as permitted in regulations promulgated by the department, an association may make such investments as may be authorized for a savings bank by section 504 of the act of November 30, 1965 (P.L.847, No.356), known as the "Banking Code of 1965," and may make such loans as may be authorized for a savings bank by section 506(a)(iv) of the "Banking Code of 1965." The regulations promulgated by the department may include such conditions, restrictions, limitations or requirements as the department deems necessary and appropriate.

(922.1 added Dec. 21, 1988, P.L.1427, No.174)

Section 923. Real Estate.--(a) An association may invest its funds in real property which the association occupies for its accommodations and transaction of its business, or such real property as it partly so occupies and it partly leases to others. No such investment may be made without the prior approval of the department of the total amount of the investment in real estate for the accommodation of the association and the transaction of its business exceeds the amount of the association's net worth.

(b) An association may invest its funds in such real estate as it shall purchase at sales under judgments, decrees and mortgages held by it or as it shall otherwise acquire in good faith and in satisfaction of debts previously contracted to it or in order to protect an interest it may otherwise have lawfully acquired in such property. The board of directors shall annually review such investments. The said real estate shall be sold as promptly as the same may expeditiously be done.

(c) An insured association may invest its funds in real property, or interests in real property, in its regular lending area and within an urban renewal area as defined in subsection (a) of section 110 of the Housing Act of 1949, as amended. No such investment shall be made unless the amount of such investment, plus all amounts outstanding in such investments, does not exceed two percent of the association's assets and total of such investments and loans made under section 910 and subsection (j) of section 922 does not exceed five percent of the association's assets. The department may prescribe regulations under which such investments may be made.

Section 924. Avoidance of Loss on Loans Previously Made.--An association shall have the right to invest its funds, operate a business, manage or deal in property, or take any other action over whatever period of time may reasonably be necessary to avoid loss on a loan or investment previously made or an obligation previously created in good faith.

Section 925. Nonconforming Loans.--An association shall have the right to invest limited to not in excess of five percent of the assets of the association in loans upon the security of or respecting real property or in interests therein used for primarily residential or farm purposes that do not comply with the limitations elsewhere provided in the code. Nothing in this section shall be construed to allow loans which would not otherwise be permitted under section 915(k).

(925 added June 5, 1981, P.L.81, No.28)

Section 926. Enforcement of Mortgages.--Before any residential mortgage lender, as defined by the act of January 30, 1974 (P.L.13, No.6), referred to as the Loan Interest and Protection Law, may accelerate the maturity of any residential

mortgage obligation as defined by the Loan Interest and Protection Law, commence any legal action including mortgage foreclosure to recover under such obligation, or take possession of any security of the residential mortgage debtor, as defined by the Loan Interest and Protection Law, for such residential mortgage obligation, such person shall give the residential mortgage debtor notice of such intention as provided under section 403 of the Loan Interest and Protection Law. A form of notice of intention to foreclose, prescribed by regulations of the Secretary of Banking as provided under section 601 of the Loan Interest and Protection Law, shall be interpreted as satisfying the requirements of section 403 of said act.

(926 added June 5, 1981, P.L.81, No.28)

ARTICLE X AMENDMENT OF ARTICLES

Section 1001. Authorized Amendments.--(a) An association may, in the manner provided in this article, amend its articles at any time in order to make any change therein including, but without limiting the general authorization contained herein, an amendment:

(1) To adopt a new name permitted to be used under this act,

(2) To increase the term for which it is to exist or to provide for perpetual existence,

(3) To change, add to or diminish the statement of its purpose or purposes,

(4) To restate the articles in their entirety.

(b) Articles as amended under this section must be such as would be authorized as original articles under this act except that articles restated in their entirety shall state the county of the current, instead of the original, place of business of the association and need not state names or other information concerning the first directors or the incorporators.

Section 1002. Proposal and Adoption of Amendments.--(a) An amendment of the articles shall be proposed by adoption of a resolution by the board of directors directing that it be submitted to a vote at a meeting of members held upon not less than ten days' notice to all members. Such notice shall state the place, the day and the hour of the meeting.

(b) The resolution proposing an amendment or amendments shall contain the language of each amendment by setting forth in full the articles as they would be amended or any provision thereof as it would be amended or by setting forth in full any matter to be added to or deleted from the articles. A copy of the resolution or a summary thereof shall be included with the notice of the meeting to the members. Any number of amendments may be submitted to the members at one meeting.

(c) Unless the articles or bylaws require a greater number adoption of each amendment shall require the affirmative vote of a majority of the votes represented at the meeting in person or by proxy.

Section 1003. Articles of Amendment.--(a) Upon the adoption of an amendment or amendments, articles of amendment shall be signed by two duly authorized officers of the association under its seal and shall contain:

(1) The name of the association,

(2) The county of its principal place of business,

(3) The act of Assembly under which the association was incorporated and the date of its incorporation,

(4) The time and place of the meeting of members at which the amendment was adopted and the kind and period of notice given to the members,

(5) The number of votes represented at the meeting,

(6) The number of votes for and against the amendment, and

(7) The amendment or amendments adopted which shall be set forth in full.

(b) The articles of amendment shall be delivered to the department together with:

(1) Applicable fees payable to the department in connection with the articles and with the conduct of the investigation required by section 1005,

(2) As soon as available, proof of publication of the advertisement required by section 1004, and

(3) If the amendment would change the name of the association, evidence of reservation in the Department of State of the proposed new name.

Section 1004. Advertisement.--(a) The association shall advertise its intention to deliver, or the delivery of, articles of amendment to the department once in each newspaper in which advertisement is required to be published in accordance with section 107 of this act.

(b) The advertisement shall appear prior to, or within seven days after, the date of delivery of the articles of amendment to the department and shall set forth briefly:

(1) The name of the association,

(2) The county address of its principal place of business,

(3) A statement that articles of amendment are to be, or have been, delivered under the provisions of this act,

(4) The nature of the amendment, and

(5) The date of delivery of the articles of amendment to the department.

Section 1005. Approval of Articles of Amendment by Department.--(a) Upon receipt of the articles of amendment the department shall conduct such investigation as it may deem necessary to determine whether:

(1) The articles of amendment and supporting items satisfy the requirements of this act,

(2) The interest of its members and the convenience and needs of the public will be served by the amendment.

(b) Within sixty days after receipt of the articles of amendment the department shall approve or disapprove the articles of amendment on the basis of its investigation. If the department shall approve the articles of amendment, it shall deliver them with its written approval to the Department of State and notify the association of its action. If the department shall disapprove the articles of amendment, it shall give written notice to the association of its disapproval and a statement in detail of the reasons for its decision. ((b) repealed in part June 3, 1971, P.L.118, No.6)

Section 1006. Issuance of Certificate of Amendment.--If all the fees, charges, and taxes, if applicable, required by law have been paid and, in the case of a change of name, if the proposed new name of the association continues to be reserved or is available on the records of the Department of State, the receipt of the articles of amendment by the Department of State with the written approval of the department shall constitute filing of the articles of amendment as of the date and time of receipt or as of any later date and time specified by the department. The Department of State shall immediately issue to the association a certificate of amendment as of the date and time of filing with the approved articles of amendment attached

thereto and shall make and retain a copy of such certificate and articles.

Section 1007. Effect of Filing of Articles of Amendment in Department of State and of Certificate of Amendment.--(a) As of the filing of the articles of amendment in the Department of State, each amendment shall become effective and the articles of incorporation shall be deemed to be amended accordingly.

(b) The certificate of amendment shall be conclusive evidence of the performance of all conditions required by this act for amendment of articles of incorporation, except as against the Commonwealth.

(c) No amendment shall affect any existing cause of action in favor of or against the association, any pending action in which the association is a party or existing rights of persons other than members. If the amendment changes the name of the association, no action by or against the association shall be abated for that reason.

ARTICLE XI MERGERS, CONSOLIDATIONS, CONVERSIONS AND REORGANIZATIONS

Section 1101. Mergers, Consolidations and Conversions.--(a) Upon compliance with the requirements of this article, two or more associations may be merged into one of such associations or consolidate into a new association.

(b) Upon compliance with the requirements of this article and other applicable law, one or more associations and one or more savings banks may merge into an association or into a savings bank or consolidate into a new association or a new savings bank.

(b.1) Upon compliance with the requirements of this article, one or more associations may merge or consolidate with a regional thrift institution or with a foreign thrift institution, as those terms are defined in, and subject to any applicable limits of, section 114. ((b.1) amended July 9, 1992, P.L.414, No.89)

(b.2) Upon compliance with all of the requirements of this article, except section 1105, an association may purchase the assets and assume the liabilities of another association, a Federal savings association or a State savings bank. ((b.2) added July 9, 1992, P.L.414, No.89)

(b.3) Notwithstanding any law to the contrary, upon compliance with the requirements of this article and any other law, one or more associations with savings accounts insured by the PSAIC may merge or consolidate into a bank, bank and trust company, savings bank or interstate bank as those terms are defined in section 102 of the act of November 30, 1965 (P.L.847, No.356), known as the Banking Code of 1965, or a national bank. ((b.3) added Dec. 21, 1998, P.L.1002, No.132)

(c) Upon compliance with the requirements of this article, one or more associations and one or more Federal savings and loan associations may merge into an association or a Federal savings and loan association or consolidate into a new association or a new Federal savings and loan association.

(d) The authority of an association to merge or consolidate into a 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 and loan association to merge or consolidate into an association.

(e) Upon compliance with the requirements of this article and other applicable law, an association may be converted into a Federal savings and loan association or a savings bank.

(f) Upon compliance with the requirements of this article and other applicable law and subject to the laws of the United States, a Federal savings and loan association may be converted into an association or a savings bank.

(g) Upon compliance with the requirements of this article, a mutual association may be converted to a permanent reserve fund stock association and a permanent reserve fund stock association may be converted to a mutual association. Such converted associations may not be voluntarily liquidated for a period of ten years from the date of conversion. ((g) added Apr. 9, 1982, P.L.334, No.94)

(h) (1) All savers (including all classes thereof) shall be given a preemptive right to purchase reserve fund stock. The preemptive right to savers shall be nonassignable. The department, by regulation, may define the rights and prescribe the terms on which they may be exercised.

(2) No preemptive rights will be given to any savers if the book value of the total assets of the association to be converted (determined in accordance with generally accepted accounting principles) is less than two percent in excess of the book value of its total liabilities, unless determined to be in the public interest by the Secretary of Banking.

((h) amended Dec. 21, 1988, P.L.1427, No.174)

(i) All mergers, consolidations and conversions in which the resulting institution is an association or a savings bank shall be subject to the approval of the department. ((i) relettered from (g) Apr. 9, 1982, P.L.334, No.94)

Section 1101.1. Credit Union Merger and Conversion Procedures for PSAIC Insured Associations.--(a) A PSAIC insured association which files an application to merge or convert into a credit union may merge or convert with the approval of the department. The department shall impose reasonable conditions and requirements on the association relating to the merger with or conversion to a credit union, including, but not limited to, the following:

(1) The association shall approve the merger or conversion plan by the affirmative vote of two-thirds of the entire membership of the board of directors of the association and such vote of the members as the department may require.

(2) The department shall approve the merger or conversion plan.

(3) The merging or converting association must qualify for share insurance by the National Credit Union Administration Share Program.

(b) Upon receipt of an application for approval of merger or conversion, the department shall conduct such investigation as it may deem necessary in order to ensure that the merger or conversion would be consistent with adequate and sound credit union practices and in the public interest.

(c) If the department approves the articles of merger or conversion, it shall register its approval thereon and shall forthwith forward the articles to the Department of State for filing. As of the filing of the articles in the Department of State, the merger or conversion shall be effective and the existence of the 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 credit union and which shall have without further act or deed all property,

rights, powers, duties and obligations of each party to the plan.

(d) The membership of the resulting credit union may permit individuals who, at the time of merger or conversion, were members, savings account holders, directors, officers, employees or borrowers of the association to become members of the resulting credit union.

(e) Rights of dissenting members shall be determined pursuant to section 1109.

(f) Notwithstanding any provision of this act to the contrary, a credit union which results from a merger or conversion is permitted to hold assets of the association even though such assets do not conform with the requirements of this act. However, except with the permission of the Secretary of Banking the credit union must divest itself of all assets which do not conform with the requirements of this act within five years of the effective date of the merger or conversion.

(1101.1 added Dec. 21, 1998, P.L.1002, No.132)

Section 1102. Requirements for a Merger, Consolidation or Conversion.--The requirements for a merger, consolidation or conversion which must be satisfied by the parties thereto are as follows:

(a) 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 and/or shareholders of each of the parties, and any agreement concerning the merger or consolidation.

(b) If the proposed merger, consolidation or conversion will result in an association subject to the provisions of this act, a Federal savings and loan association or a savings bank, adoption of the plan by each party thereto shall require the affirmative vote of two-thirds of the entire membership of the board of directors of each association, Federal savings and loan association, or the board of trustees of a savings bank. The department may require such vote of the members as it deems proper.

(c) 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.

(d) If a proposed merger, consolidation or conversion will result in an association subject to this act, or a savings bank subject to the Banking Code of 1965 as amended, 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:

(1) Articles of merger, consolidation or conversion,

(2) Applicable fees payable to the department in connection with the articles and with the conduct of the investigation required by section 1106,

(3) If the resulting corporation is a savings bank under the Banking Code of 1965 as amended, any documents or other items required under that code,

(4) If the proposed name of the resulting association or savings bank 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

(5) 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.

Section 1103. Articles of Merger, Consolidation or Conversion.--The articles of merger, consolidation or conversion shall be signed by two duly authorized officers of each party to the plan under their respective seals and shall contain:

(a) The names of the parties to the plan and of the resulting association or savings bank.

(b) The county of the principal place of business of each,

(c) The votes by which the plan 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 association or the names and addresses of the first trustees of the savings bank,

(e) In case of a merger, any amendment of the articles of the resulting association or savings bank,

(f) A record of the employment contracts which are to be legally binding on the resulting association,

(g) In the case of a consolidation, the provisions required in articles of incorporation of a new association by section 203 of this act.

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

(i) The plan.

Section 1104. Action Where Approval by Department Not Required.--If a proposed merger, consolidation or conversion will result in a Federal savings and loan association, an association which is a party to a plan shall:

(a) Notify the department of the proposed merger, consolidation or conversion,

(b) Provide such evidence of the adoption of the plan as the department may request,

(c) Notify the department of any abandonment or disapproval of the plan,

(d) File with the department and with the Department of State a certificate of the approval of the merger or consolidation by the Federal Home Loan Bank Board or its successor which has the right on behalf of the United States to approve such mergers, consolidations or conversions into Federal savings and loan associations.

Section 1105. Advertisement.--(a) The association shall advertise its intention to deliver, or the delivery of articles of merger, consolidation or conversion, once in each newspaper in which advertisement is required to be published in accordance with section 107 of this act and file proof of advertisement with the department.

(b) The advertisement shall appear prior to, or within seven days after, the date of delivery of the articles to the department and shall set forth briefly:

(1) The name and county of the principal place of business of each of the associations or Federal savings and loan associations or savings banks intending to merge, consolidate or convert,

(2) The name and county of the place of business of the new, resulting or converted association or savings bank,

(3) A statement that the articles of merger, consolidation or conversion are to be filed under the provisions of this act if such merger, consolidation or conversion results in an association subject to the provisions of this act, or if the articles provide for a conversion from a Federal savings and

loan association to an association subject to the provisions of this act. If the resulting corporation is a savings bank subject to the Banking Code of 1965 as amended, a statement to this effect shall be contained in the advertisement,

(4) The purpose or purposes of the resulting, new or converted association or savings bank.

(1105 amended Dec. 21, 1988, P.L.1427, No.174)

Section 1106. Approval of Merger, Consolidation or Conversion by the Department.--(a) Upon receipt of an application for approval of a resulting new or converted association or savings bank as a result of a merger, consolidation or conversion the department shall conduct such investigation as it may deem necessary to ascertain:

(1) Whether the articles and supporting items satisfy the requirements of this act, and if the Banking Code of 1965 as amended is applicable, that the requirements of that act are satisfied,

(2) Whether the name of the resulting, new or converted association or savings bank conforms with the requirements of the law,

(3) If the name is not the same as either of the merging or consolidating associations in the case of a merger or consolidation the department shall determine whether the name is so similar to a name presently in use by a corporation that it is likely to mislead the public,

(4) Whether the merger, consolidation or conversion would be consistent with adequate and sound savings and loan practices and in the public interest. In determining this the department may consider:

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

(ii) Their prospects,

(iii) The management of the associations or corporations,

(iv) The effect of the merger, consolidation or conversion on competition, and

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

(b) Within sixty days after receipt of the application or within an additional period of not more than thirty days after receipt of the 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. ((b) repealed in part June 3, 1971, P.L.118, No.6)

Section 1107. Procedure After Approval by Department; Issuance of Certificate of Merger, Consolidation or Conversion.--(a) 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 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 and shall notify the parties to the plan.

(b) If all the taxes, fees and charges required by law shall have been paid and if the name of the resulting savings association or savings bank 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 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. The Department of State shall immediately issue 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.

Section 1108. Effect of Merger, Consolidation or Conversion.--(a) 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.

(b) 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 association or savings bank, except as against the Commonwealth.

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

(d) The articles of the resulting association or savings bank 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.

(e) If the resulting corporation shall be a savings association such association shall have the authority to engage only in such business and exercise only such powers as it would have under original incorporation under this act. 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 the Banking Code of 1965 as amended.

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

Section 1109. Rights of Dissenting Members.--(a) In the case of a mutual association, no mortgage account member shall have any rights of any nature with regard to proceedings for merger, consolidation or conversion and shall conclusively become a borrower of the resulting association or savings bank in the event of a merger, consolidation or conversion. A savings member who dissents from any plan of merger, consolidation or conversion shall have the right to have his savings paid to him in full together with any and all additions thereto which have been credited to his account by way of earnings prior to the effective date of the merger, consolidation or conversion within thirty days of the receipt of notice by the association of his dissent.

(b) In the case of a permanent reserve fund stock association, a permanent reserve fund stockholder shall have only the rights given him in the plan of merger, consolidation or conversion.

(1109 amended Apr. 9, 1982, P.L.334, No.94)

Section 1110. Reorganization of Associations.--An association may reorganize under the provisions of this section by adopting and carrying out a plan of reorganization which meets the requirements of this section.

(a) The plan which may include amendment of the articles of incorporation after adoption by the directors shall be submitted to the department for approval. The department may approve such plan if it deems the plan equitable and in the best interests of creditors and members of the association.

(b) The plan of reorganization, if approved by the department, shall be submitted to the members after such notice as may be required by the department.

(c) The plan shall be valid if approved by members holding fifty-one percent of the votes represented in person or by proxy at the meeting where such plan is voted upon, and by creditors holding at least ninety percent of the total amount of all liability of the association to creditors which will not be paid in full under the plan. Creditors who will be paid in full shall have no vote on approval or disapproval of the plan. A plan of reorganization which shall have been approved by the department and adopted by the members and the creditors entitled to vote thereon shall be binding upon all members and creditors of the association whether or not they voted for or consented to the plan of reorganization.

ARTICLE XII VOLUNTARY AND INVOLUNTARY DISSOLUTION; DISTRIBUTION OF ASSETS UPON INSOLVENCY

Section 1201. Voluntary Dissolution Prior to Commencement of Business.--(a) An association 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 two-thirds of the incorporators and by delivering to the department articles of dissolution which shall be signed and acknowledged by a majority of the incorporators and which shall contain:

(1) The name of the association,

(2) The county in which it was to have its place of business,

(3) The date of its incorporation,

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

(5) A statement that all liabilities of the association have been paid or provided for,

(6) A statement that all amounts received on account of the expense fund, less amounts disbursed for expenses, have been returned to the persons entitled thereto,

(7) The number of incorporators entitled to vote on the dissolution and the number of votes for and against dissolution respectively.

(b) The articles of dissolution shall be delivered to the department together with any applicable filing fee. If the department is satisfied that the association has not conducted any business for which a certificate of authorization is required under this act and if it finds that the articles of dissolution satisfy the requirements of this act, it shall

deliver them with its written approval to the Department of State which shall file the same on the date received from the department. The department shall notify the association of its action. If the department shall disapprove the articles of dissolution, it shall give written notice to the association of its disapproval and a statement in detail of the reasons for its decision. ((b) repealed in part June 3, 1971, P.L.118, No.6)

Section 1202. Voluntary Dissolution After Commencement of Business.--(a) An association which has commenced business may elect to dissolve voluntarily upon:

(1) Adoption by the vote required of its members under subsection (b) of this section of a plan of dissolution providing for full payment of its liabilities, and

(2) Approval by the department of the plan of dissolution after application for approval thereof in a manner prescribed by the department.

(b) Adoption of the plan by the members of an association shall require the affirmative vote of the members entitled to cast at least two-thirds of the votes which all members are entitled to cast on the plan at a meeting held upon not less than ten days' notice to all members.

(c) Upon receipt of an application for approval of a plan of dissolution, the department shall conduct such investigation as it may deem necessary to determine whether:

(1) The plan satisfies the requirements of this act,

(2) The plan adequately protects the interest of members and creditors, and

(3) Within sixty days after receipt of the application, the department shall approve or disapprove the application on the basis of its investigation and shall immediately give to the association written notice of its decision, and in the event of disapproval, a statement in detail of the reasons for its decision.

((c) repealed in part June 3, 1971, P.L.118, No.6)

Section 1203. Certificate of Election for Voluntary Dissolution.--(a) Immediately after the adoption and approval of a plan of dissolution under section 1202 of this act, the association 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:

(1) The name of the association,

(2) The county of its principal place of business,

(3) The names and addresses of its officers and directors, and

(4) The number of votes entitled to be cast on the plan of dissolution and the number of votes cast for and against the plan.

(b) If the department has approved the plan of dissolution and if the certificate satisfies the requirements of this act, it shall deliver the certificate with its written approval to the Department of State which, upon payment of applicable fees and charges, shall issue to the association the approved certificate of election to dissolve and shall make and retain a copy thereof.

(c) Upon the issuance of an approved certificate of an election to dissolve, the association shall cease to carry on its business except insofar as may be necessary for the proper winding up thereof but its corporate existence shall continue until issuance of a certificate of dissolution under this act.

Section 1204. Winding Up in Voluntary Dissolution Proceedings.--(a) The board of directors shall have full power

to wind up and settle the affairs of the association in voluntary dissolution proceedings.

(b) Within thirty days after the issuance of an approved certificate of election to dissolve, the association shall give notice of its dissolution:

(1) By mail to each member and creditor, including a statement of the amount shown by the books of the association to be due to such member or creditor, and a demand that any claim for a greater amount be filed with the association before a specified date at least sixty days after the date of notice,

(2) By conspicuous posting at each office of the association, and

(3) By such publication as the department may prescribe.

(c) All claims of members and creditors shall be paid promptly after the date specified in the notice given under subsection (b) (1) of this section.

(d) Assets remaining after the performance of all obligations of the association under subsection (c) of this section shall be distributed to its members according to their respective rights and preferences. Partial distributions to members may be made prior to such time only if, and to the extent, approved by the department.

(e) During the course of dissolution proceedings the association shall make such reports as the department may require and the association shall continue to be subject to the provisions of this act concerning examinations of associations until completion of the dissolution of the association.

(f) If at any time during the course of dissolution proceedings the department finds that the assets of the association will not be sufficient to discharge its obligations, the department may then or at any time thereafter take possession of the business and property of the association and complete the dissolution in accordance with the provisions of the Department of Banking Code.

Section 1205. Articles of Dissolution.--(a) When all the liabilities of the association have been discharged, and all its remaining assets have been disbursed to members pursuant to section 1204, articles of dissolution shall be signed by two duly authorized officers of the association under its seal and shall contain:

(1) The name of the association and the post office address of its principal place of business,

(2) A statement that the association has previously delivered a certificate of election to dissolve to the department, and the date on which the approved certificate was filed in the Department of State.

(3) A statement that all liabilities of the association have been discharged, and that the remaining assets of the association have been distributed to its members, and

(4) A statement that there are no suits pending against the association.

(b) The articles of dissolution shall be delivered to the department together with any applicable filing fees. If the department finds that the articles satisfy the requirements of this act it shall deliver them with its approval to the Department of State.

Section 1206. Certificate of Dissolution.--If all applicable fees, charges and taxes required by law have been paid, the receipt of articles of dissolution by the Department of State, with the written approval of the department, shall constitute filing of the articles of dissolution as of the date and time of receipt. The Department of State shall immediately issue to

the association a certificate of dissolution as of the date and time of filing, with the approved articles of dissolution attached thereto, and shall make and retain a copy of such certificate and articles. Upon the filing of the articles of dissolution, the existence of the association shall cease.

Section 1207. Involuntary Dissolution.--(a) The department shall issue a certificate of dissolution under its seal:

(1) If a certificate of authorization has not been issued to a newly incorporated association within two years after the date of its incorporation or such longer time as the department may allow for satisfaction of conditions precedent to the issuance of a certificate of authorization, or

(2) If the department shall determine, after notice to the association, to issue a certificate of dissolution. Said determination shall be made if the department finds that the association has not exercised any of its powers under its articles, for any continuous period of two years, or

(3) If the department after having taken possession of the business and property of an association has completely liquidated its assets, or

(4) If the department, after having taken possession of the business and property of an association, has surrendered to any corporation or person the assets of the association in order to permit the carrying out of a special plan of liquidation, or

(5) If the directors of an association or the liquidating trustees under the Building and Loan Code of 1933, as amended, pursuant to a plan of voluntary dissolution, have completely liquidated its assets and have not filed the articles of dissolution pursuant to the provisions of this act.

(b) In connection with the issuance of a certificate of dissolution for any of the reasons set forth in subsection (a) above, the department shall recite the applicable facts and state that the certificate of authorization of the association and its articles of incorporation have been forfeited by reason of such facts and shall file the certificate in the Department of State.

(c) Upon filing of the certificate of dissolution in the Department of State all rights of the association under its certificate of authorization shall cease and its existence as an incorporated association shall cease.

Section 1208. Distribution of Assets Upon Liquidation.--In the distribution of assets of an association which is liquidated or dissolved, either under this act or by any other method, payment shall be made of liabilities and obligations to members in the following order:

(a) First, the payment of costs and expenses of administration of the liquidation or dissolution,

(b) Second, the payment of claims which are given priority by applicable statutes and, if the assets are insufficient for the payment in full of all such claims in the order provided by such statutes, or, in the absence of contrary provisions, pro rata,

(c) Third, the payment of the balance as of the date of dissolution or liquidation in savings accounts of all types and of all other creditors except those creditors who have in writing subordinated their claims in favor of savings accounts. Said payments shall be pro rata to the amount owing said creditor and savings accounts on a basis pro rata to the balance in each account. ((c) amended Dec. 27, 1974, P.L.1012, No.329)

(d) Fourth, payment to creditors who have in writing subordinated their claims in favor of savings accounts. ((d) added Dec. 27, 1974, P.L.1012, No.329)

(e) Fifth, any excess of assets shall be distributed to savings accounts on a basis pro rata to the balance in each account as of the date of liquidation or dissolution in the case of a mutual association. In a permanent reserve fund association, the excess of assets shall be distributed pro rata to the reserve fund stockholders. ((e) amended Apr. 9, 1982, P.L.334, No.94)

ARTICLE XIII FOREIGN AND FEDERAL ASSOCIATIONS

Section 1301. Foreign Corporations.--(a) Except as provided in section 114, foreign corporations shall not transact the business of an association within this Commonwealth, nor maintain an office within this Commonwealth for the purpose of transacting such business. It shall be unlawful for any person to engage in the business of soliciting or receiving within this Commonwealth subscriptions to the shares or savings accounts of such corporations or payments therefor, or of granting loans within this Commonwealth on behalf of such corporations, or of soliciting applications therefor, or of receiving within this Commonwealth on behalf of such corporations, interest, premiums, fees or payments of any kind or of transacting business in any manner within this Commonwealth on behalf of such corporation. Nothing in this section shall prohibit a bona fide mortgage or loan subsidiary of a foreign association from conducting its business in this Commonwealth.

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

(1301 amended Dec. 21, 1988, P.L.1427, No.174)

Section 1302. Federal Associations.--Notwithstanding any other provision of this act, unless Federal laws or regulations provide otherwise, a Federal savings and loan association, incorporated pursuant to the Home Owner's Loan Act of 1933, as now or hereafter amended, and whose principal office is in Pennsylvania, together with the members thereof, shall possess all of the rights, powers, privileges, benefits, immunities and exemptions that are now or hereafter provided in this code or by the laws of this Commonwealth for associations organized under the laws of this Commonwealth and for the members and savings account holders thereof. This provision is additional and supplemental to any provision which by specific reference is applicable to Federal savings and loan associations and the members thereof.

ARTICLE XIV PROVISIONS APPLICABLE TO DEPARTMENT OF BANKING (Hdg. amended Dec. 21, 1988, P.L.1427, No.174)

Section 1401. Examinations and Reports.--(a) The department shall examine all associations at least once every two calendar years and may examine any association more frequently and at any time it deems such action necessary or desirable for protection of members or creditors. The examination shall include a review of the accounts, records and affairs of the association, its compliance with law and such other matters as the department may determine. For this purpose the department

may examine a person which is performing services for an association. ((a) amended Dec. 21, 1998, P.L.1002, No.132)

(b) In the case of an association whose savings are insured by the Federal Savings and Loan 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 by examiners for the Federal Savings and Loan Insurance Corporation, the Federal Home Loan Bank Board, or a Federal Home Loan Bank.

(c) Except as modified by the provisions of this section, the provisions of the Department of Banking Code governing the examinations and reports shall continue to apply to associations.

Section 1402. Relationship of Savings Associations and Their Personnel with Officials and Employees of the Department.--(a) Except as provided in subsection (c) of this section a savings association or any director, officer, employee or attorney thereof shall not grant or give to the Secretary of Banking, any official or employee of the department, any deputy or any employee of the Secretary of Banking as receiver, any sum of money or any property as a gift, loan or otherwise, directly or indirectly--subject to the penalty provisions of this act.

(b) Neither the Secretary of Banking, nor any official or employee of the department shall hold any office or position in a savings association nor exercise any right to vote on an association matter by reason of membership in such association--subject to the penalty provisions of this act.

(c) The prohibitions of subsections (a) and (b) of this section shall not apply to either:

(1) A loan subject to the provisions of this act secured by a lien on the home of the Secretary of Banking, an official or employee of the department, or

(2) A savings account with an association except that an examiner assigned to the examination of savings associations shall not have a savings account in any mutual association.

(1402 amended Dec. 21, 1988, P.L.1427, No.174)

Section 1403. Savings Association Board.--(1403 repealed Dec. 21, 1988, P.L.1427, No.174)

Section 1404. Orders by Department; Hearings.--(a) The department may by written order under seal of the department direct an association to discontinue any violation of law or regulation or any unsafe or unsound business practice within such period as shall be specified in the order.

(b) If any director, officer, attorney or employee continues to violate the law or conduct the business of an association in an unsafe or unsound manner after having been warned by the department to discontinue such violations of law or such unsafe or unsound business practices, the department may issue a written order under seal of the department directing such director, officer, attorney or employee to appear on the date fixed in such order before the department and show cause why he should not be removed from his office or position.

(c) A copy of such order shall be sent to the association of which such person is a director, officer, attorney or employee.

(d) On the day fixed in the department's order, such director, officer, attorney or employee shall be heard in person or by counsel. The hearing shall be closed to the public unless the department determines that the public interest requires that the hearing be open to the public.

(e) If the director, officer, attorney or employee does not appear on the day fixed in the department's order, or if, after hearing, the department determines that such director, officer, attorney or employee is guilty of a violation of law or an unsafe or unsound business practice and should be removed from his office or position, the department shall, within sixty days of such hearing, issue an order directing the association to remove such person from his office or position and declare such office or position vacant. A copy of such order shall be sent to the director, officer, attorney or employee so removed. The department shall specify in its order the date upon which any such removal and declaration of vacancy shall become effective.

(f) If the person ordered by the department to appear is a director, officer, attorney or employee of an association which is a member of the Federal Home Loan Bank System or is insured by the Federal Savings and Loan Insurance Corporation, the department may advise the Federal Home Loan Bank or the Federal Savings and Loan Insurance Corporation of its order directing the appearance of such person before the department and of the decision of the department.

(g) In connection with any hearing or investigation, the department shall have power to issue subpoenas requiring the attendance of or the production of pertinent books and papers by any person, including the officers, directors, agents, employees or members of any association. The department may, upon application of the director, officer, attorney or employee to be heard, subpoena such witnesses as are set forth in such application. The department shall have the power to question such witnesses under oath or affirmation and to examine such books and papers.

(h) Any witness who refuses to obey a subpoena issued under this section or who refuses to be sworn or affirmed or to testify or who is guilty of any contempt after summons to appear may be punished as for contempt of court, and for this purpose an application may be made to any court of common pleas within whose territorial jurisdiction the offense was committed, for which purpose such court is hereby given jurisdiction.

(i) Except as herein otherwise specifically provided, the proceedings of the department and its decisions may be published at the discretion of the department.

(j) A director, officer, attorney or employee who is removed from his office or position as provided in this article and as provided in section 506 shall thereafter be disqualified from acting as a director, officer, attorney or employee of any association or any insured depository institution in this Commonwealth for such period as the department shall prescribe.

(1404 amended July 9, 1992, P.L.414, No.89)

Section 1405. Hearing Before Savings Association Board.--(1405 repealed Dec. 21, 1988, P.L.1427, No.174)

ARTICLE XV PENALTIES AND CRIMINAL PROVISIONS

Section 1501. False or Misleading Statements in Application.--Any person who shall knowingly make any false or misleading statement in the application for a mortgage loan or any other type of loan or in a request for advance or loan of funds from an association or shall knowingly conceal any material fact or facts in such application or who shall falsify or mutilate any application for any loan after it has been signed and delivered to the association, or who shall abstract any such application from the records of the association, or

who shall cause or induce any other person to make any such statement or conceal any such fact or facts, falsify, mutilate or abstract any such application in the manner hereinbefore described shall be guilty of a misdemeanor and shall upon conviction thereof, be subject to imprisonment for a period not exceeding three years or a fine not exceeding one thousand dollars (\$1,000) or both.

Section 1502. Doing Business by a Foreign Corporation.--Any individual who shall violate the provisions of section 1301 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. He shall also be subject to a further fine equal to any moneys received by him within this Commonwealth in violation of said section. The corporation which such individual represents shall be guilty of a misdemeanor and upon conviction thereof shall be subject to a fine of five thousand dollars (\$5,000). Such corporation shall be subject to a further fine equal to the amount of any moneys received by such corporation or its agent in violation of this section.

Section 1503. Perjury.--Anyone who shall wilfully and corruptly make a false statement under any oath or affirmation provided for in this act, or in any document required to be executed by this act or anyone who shall by means procure or suborn any other person to do so, shall be guilty of the crime of perjury and upon conviction thereof, shall be subject to the same punishment as is or may be provided by law for perjury.

Section 1504. Acceptance of Fee for Procuring Loan.--Any director, officer, attorney, or employe of an association who knowingly violates the provision of subsection (a) (1) of section 510 of this act shall be guilty of a misdemeanor, and shall, upon conviction thereof, be subject to a fine not exceeding a sum equal to three times the amount of the value of the property which he received as such fee, commission or gift. In addition he shall be disqualified from acting as an officer, director, attorney or employe of any association within this Commonwealth for a period of five years after the date of such conviction.

Section 1505. Dealings Between an Association and Its Directors, Officers, Employes and Attorneys.--Any officer, director, attorney or employe of an association who knowingly violates the provisions of either subsection (a) (2) or subsection (a) (3) of section 510 shall be guilty of a misdemeanor and shall upon conviction thereof, be subject to imprisonment not exceeding one year, or a fine not exceeding one thousand dollars (\$1,000), or both. He shall also be subject to a further fine equal to any profit which he shall have made upon the transaction.

Section 1506. Failure to Keep Proper Accounts.--Any director, officer or employe of an association who knowingly violates the provisions of section 110 of this act shall be guilty of a misdemeanor and shall upon conviction thereof be subject to imprisonment not exceeding one year or a fine not exceeding one thousand dollars (\$1,000), or both.

Section 1507. Repledging of Collateral.--Any officer, director or employe of an association who knowingly violates section 112 of this act shall be guilty of a misdemeanor and shall upon conviction thereof be subject to imprisonment not exceeding one year or a fine not exceeding one thousand dollars (\$1,000), or both.

Section 1508. Prohibition of Promoter's Fees.--Any incorporator, officer, director or employe who knowingly

violates section 202 (a) of this act shall be guilty of a misdemeanor and shall upon conviction thereof be subject to imprisonment not exceeding one year or a fine not exceeding one thousand dollars (\$1,000), or both.

Section 1509. Transacting Business before Certificate of Authorization Issued.--Any officer or director of an association who knowingly violates section 209 (a) of this act shall be guilty of a misdemeanor and shall upon conviction thereof be subject to imprisonment not exceeding one year or a fine not exceeding one thousand dollars (\$1,000), or both.

Section 1510. Relationship of Savings Associations and Their Personnel with Officials and Employees of the Department.--Any director, officer, attorney or employee of an association, or the Secretary of Banking, or any employee, or any official of the department who knowingly violates the provisions of either subsection (a) or subsection (b) of section 1402 shall be guilty of a misdemeanor and shall upon conviction thereof, be subject to imprisonment not exceeding one year or a fine not exceeding one thousand dollars (\$1,000), or both.

ARTICLE XVI EFFECTIVE DATE AND REPEALERS

Section 1601. Effective Date.--This act shall take effect in one hundred eighty days.

Section 1602. Specific Repeals.--(a) The following acts and all amendments thereof are hereby repealed absolutely:

(1) The act of May 5, 1933 (P.L.457), known as the "Building and Loan Code."

(2) The act of June 24, 1939 (P.L.746), entitled "An act authorizing Federal savings and loan associations to issue share accounts in the name of certain minors and in the joint names of two or more persons, and validating the acquittances of such minors and validating the acquittances of either person in a joint account, under certain conditions; and outlining the procedure for the payment of share accounts issued in the name of a trustee following the death of the trustee."

(3) The act of April 6, 1979 (P.L.17, No.5), referred to as the Pennsylvania Savings Association Insurance Corporation Act.

(b) The following parts of acts are hereby repealed to the extent specified:

(1) Sections 301, 401A, 402B, 501A, 501B, 501C, 503A, 503C and 1011B of the act of May 15, 1933 (P.L.565), known as the "Department of Banking Code," as applicable to savings associations, savings and loan associations and building and loan associations.

(2) Section 504B of the act of May 15, 1933 (P.L.565, No.111), known as the "Department of Banking Code," is repealed insofar as it applies to nonfederally insured savings associations.

(3) Section 4 of the act of April 6, 1979 (P.L.17, No.5), referred to as the Pennsylvania Savings Association Insurance Corporation Act, is repealed.

((1602 amended Dec. 21, 1998, P.L.1002, No.132))

Compiler's Note: Section 7(1) of Act 132 of 1998, which amended section 1602(a)(3), provided that the amendment shall take effect on the date of filing of articles of dissolution as provided for in section 823.2.

Section 1603. General Repeal.--All other acts and parts of acts inconsistent with the provisions of this act are hereby repealed.

Section 1604. Transition Provisions.--(a) Transactions and proceedings commenced under or pursuant to statutes repealed by this act shall be terminated, completed or enforced pursuant to the provisions of such statutes which for such purpose shall remain in full force and effect as to such transactions and proceedings.

(b) Any agreement, transaction or relationship which was valid immediately prior to the effective date of this act and which continues after the effective date of this act shall remain valid although not in compliance with the provisions of this act, except that any affirmative action required by this act which may be legally taken in connection with such agreement, transaction or relationship shall be taken within such reasonable time after the effective date of this act as may be fixed by the department unless the requirement of such action would impair any vested right.

APPENDIX

----- Supplementary Provisions of Amendatory Statutes -----

1986, DECEMBER 18, P.L.1723, NO.206

The General Assembly makes the following findings as a basis for this act:

(1) The rapid development in recent years of interstate operations of financial institutions can be expected to continue and to have significant effects on the business of savings associations in this Commonwealth by reason of the economic, regulatory, financial and technological forces that affect the business.

(2) It is in the best interests of the economy of this Commonwealth and its public to enable savings associations in this Commonwealth to remain sound, strong and competitive with financial institutions located elsewhere.

(3) As an increasing number of states authorize financial institutions in their states to conduct interstate operations in some form, savings associations and their holding companies in this Commonwealth would be disadvantaged if not permitted to branch in any location and to combine on a regional, reciprocal basis with thrift institutions in other states.

(4) Geographical limitations on interstate operations by thrift institutions are important to the competitiveness, safety and soundness of Pennsylvania's thrift institutions.