

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 210

Session of  
1981

INTRODUCED BY L. E. SMITH, F. E. TAYLOR, DORR, MADIGAN,  
PISTELLA, LIVENGOD AND CAPPABIANCA, JANUARY 26, 1981

SENATOR HOLL, BANKING AND INSURANCE, IN SENATE, AS AMENDED,  
APRIL 28, 1981

AN ACT

1 Amending the act of December 14, 1967 (P.L.746, No.345),  
2 entitled "An act relating to and regulating the business of  
3 savings associations heretofore designated under other acts  
4 and special charters variously as building and loan  
5 associations and savings and loan associations; defining the  
6 rights, powers, duties, liabilities, and immunities of such  
7 associations; affecting persons engaged in the business of  
8 savings associations; affecting the members, account holders  
9 and borrowers of such associations; affecting Federal savings  
10 and loan associations whose principal office is located in  
11 the Commonwealth; prohibiting the transaction of business in  
12 this Commonwealth by foreign savings associations; conferring  
13 powers and imposing duties on certain departments and  
14 officers of the Commonwealth and on the courts, recorders of  
15 deeds; creating a Savings Association Board and defining its  
16 powers and duties; prohibiting certain actions and imposing  
17 penalties, and repealing certain acts," requiring the cashing  
18 of checks for senior citizens, authorizing construction loans  
19 without security, issuance of credit cards, mutual capital  
20 certificates, consumer lending, granting trust powers,  
21 increasing investment and lending powers, further providing  
22 for renegotiating mortgages and, authorizing withdrawals by <—  
23 travelers' convenience withdrawals AND PROVIDING FOR A <—  
24 UNIFORM FORECLOSURE NOTICE FORM.

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

27 Section 1. Section 102, act of December 14, 1967 (P.L.746,

1 No.345), known as the "Savings Association Code of 1967," is  
2 amended by adding definitions to read:

3 Section 102. Definitions.--The following words and phrases  
4 when used in this act shall have, unless the context clearly  
5 indicates otherwise, the meanings given to them in this section:

6 \* \* \*

7 (28) "Travelers' convenience withdrawals," the right of an  
8 account holder of an association as a convenience when fifty  
9 miles or more from his or her principal residence to make a  
10 withdrawal from his or her regular savings account at the office  
11 of a financial institution, the accounts of which are insured by  
12 the Federal Savings and Loan Insurance Corporation or the  
13 Pennsylvania Savings Association Insurance Corporation.

14 (29) "Corporate debt security," a marketable obligation  
15 evidencing the indebtedness of any corporation in the form of a  
16 bond, note and/or debenture which is commonly regarded as debt  
17 security and is not predominantly speculative in nature. A  
18 security is marketable if it may be sold with reasonable  
19 promptness at a price which corresponds reasonably to its fair  
20 value.

21 Section 2. Clauses (9) and (20) of subsection (a) of section  
22 701 of the act are amended and clauses are added to read:

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

1 have the following powers:

2 \* \* \*

3 (9) To sell money orders, travelers checks and similar  
4 instruments as agent for any organization empowered to sell such  
5 instruments through agents within this Commonwealth and to  
6 receive money for transmission through a Federal Home Loan Bank,  
7 to issue credit cards, extend credit in connection therewith,  
8 and otherwise engage in or participate in credit card operation  
9 and to honor withdrawals by travelers' convenience withdrawals,  
10 subject to regulations issued by the department after giving due  
11 consideration to the laws and regulations applicable to Federal  
12 savings and loan associations.

13 \* \* \*

14 (20) To enter into a contract with any corporation  
15 authorized to transact the business of insurance in this  
16 Commonwealth, or to participate in, or become a member of a  
17 trust, fund, plan or agreement to provide retirement benefits,  
18 death benefits, or disability benefits, and to make such  
19 contributions out of the earnings of the association, as may be  
20 required to provide these benefits[: Provided, however, That the  
21 terms and conditions of any such contract, trust, fund, plan or  
22 agreement shall have first been approved in writing by the  
23 department] ; provided that an association shall send the  
24 department a copy of any such contract, trust, fund, plan or  
25 agreement and of all changes therein immediately after every  
26 adoption and change.

27 \* \* \*

28 (24) Upon receiving written approval of the department an  
29 association may act as trustee, executor, administrator,  
30 guardian, or in any other fiduciary capacity in which banks,

1 trust companies or other corporations are permitted to act. Such  
2 approval and the exercise of such powers shall be subject to  
3 regulations issued by the department after giving due  
4 consideration to the laws and regulations applicable to Federal  
5 savings and loan associations. The department shall also  
6 promulgate regulations governing the surrender or revocation of  
7 such powers. Upon receiving written approval of the department,  
8 service corporations may invest in State or Federally chartered  
9 corporations which are located in Pennsylvania and which are  
10 engaged in trust activities.

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

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

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

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

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

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

27 (26) Any loans authorized by this code may be made at such  
28 interest, finance charge, rate, and/or terms herein authorized  
29 or at any interest, finance charge, rate, and/or terms permitted  
30 any other regulated lender. The department shall have power to

1 issue regulations with respect to amounts, terms and conditions  
2 including prepayment penalties and late charges.

3 \* \* \*

4 Section 3. Section 813 of the act, amended July 3, 1980  
5 (P.L.378, No.96), is amended to read:

6 Section 813. Withdrawals from Savings Accounts.--Any savings  
7 account member may at any time withdraw all or any part of his  
8 savings account, including the right to effect such withdrawals  
9 by travelers' convenience withdrawals. An optional type savings  
10 account may be subject to withdrawal by a Negotiable Order of  
11 Withdrawal.

12 Section 4. The act is amended by adding a section to read:

13 Section 824. Cashing Checks for Senior Citizens.--An  
14 institution shall AFTER PROPER IDENTIFICATION OF PAYEE cash, <—  
15 without charge, any State or Federal Government check presented  
16 for payment by the payee of the check who is a senior citizen  
17 sixty-five years of age or older.

18 Section 5. Section 901 of the act is amended to read:

19 Section 901. Loans on Security of Real Estate.--An  
20 association may make a loan or participate in making loans or  
21 buy or sell participations in loans secured by a mortgage which  
22 is a [first] lien on real estate[, or if the association holds  
23 all prior liens on the real estate,] located in the regular  
24 lending area of the association, owned by the borrower in fee or  
25 in which he has a leasehold interest. [An association shall not  
26 at any time retain a mortgage loan which is not secured by a  
27 mortgage which is a first lien on the real estate unless the  
28 association owns all prior liens.] The total of all liens held  
29 by an association and all prior liens against real estate shall  
30 not exceed the maximum percentages of fair market value set

1 forth in the subsections of this article. The loan shall be  
2 evidenced by a bond, note or other evidence of indebtedness and  
3 shall be made upon the security, terms and conditions and in the  
4 amount set forth in this article for such loan. Mortgage loans  
5 and participations shall be primarily on one to four family  
6 residential properties.

7 Section 6. Section 905 of the act, amended December 1, 1971  
8 (P.L.572, No.148), is amended to read:

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

16 Section 7. Section 906 of the act is amended to read:

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

25 Section 8. Subsection (a) and subsection (d) of section 908  
26 of the act, subsection (a) amended December 27, 1974 (P.L.1012,  
27 No.329), and subsection (d) added December 1, 1971 (P.L.572,  
28 No.148), are amended to read:

29 Section 908. Development Loans.--(a) An association may  
30 lend on the security of developed building lots or sites, or for

1 the acquisition and development of land into building lots or  
2 sites not in excess of seventy-five percent of the fair market  
3 value of the real estate security as of the date of the  
4 advancement of the funds and such loans may be combined with  
5 construction loans and permanent loans, subject to the following  
6 conditions:

7 [(1) The net worth of the association is five percent or  
8 more of its savings accounts.]

9 [(2)] (1) If the building lots or sites are completely  
10 developed at the time the loan is made the security documents  
11 shall require the borrower within a period of not more than six  
12 months to commence construction of one to four family  
13 residential structures on a specified number of such building  
14 lots or sites and within a period of [five] eight years to  
15 complete construction of said structures on all of the building  
16 lots or sites.

17 [(3)] (2) If the building lots or sites are to be developed  
18 out of the proceeds of the loan the security documents shall  
19 require development of the real estate security to be commenced  
20 in not more than nine months.

21 \* \* \*

22 (d) Notwithstanding the provisions of subsections (a) and  
23 (b) of this section an association may lend to an individual on  
24 the security of a developed building lot or site designed for  
25 the erection of his permanent one family residence, without any  
26 requirement for the commencement of construction, not in excess  
27 of [seventy-five] ninety percent of the fair market value,  
28 provided the security document shall require the borrower to  
29 repay the loan in a period not longer than [five] fifteen years  
30 and shall require equal monthly payments throughout said [five-

1 year] fifteen-year period sufficient to result in an  
2 amortization of not less than [forty] thirty percent of the  
3 principal amount of the loan at the expiration of [five] fifteen  
4 years.

5 Section 9. Section 910 of the act, amended December 27, 1974  
6 (P.L.1012, No.329), is amended to read:

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

19 Section 10. Section 913 of the act is amended to read:

20 Section 913. Construction Loans.--(a) Any mortgage herein  
21 authorized may be made for the acquisition and construction or  
22 the construction of a structure as hereinbefore classified for  
23 loans on improved real estate. The security documents shall  
24 specify the terms upon which advances are to be made on such  
25 construction loan and it may be combined with a permanent loan  
26 to continue after completion of the construction.

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

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



1 or

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

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

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

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

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

16 Section 11. The introductory paragraph and subsections (d)  
17 and (e) of section 915 of the act, subsections (d) and (e)  
18 amended October 5, 1978 (P.L.1123, No.263), are amended and  
19 subsections are added to read:

20 Section 915. Terms of Mortgage.--Mortgages other than those  
21 set forth in subsections (c), (d), (e), [and] (f), (k) AND (l) <—  
22 and (m) of this section shall be written on such basis and in <—  
23 such aggregate amounts as the department may by regulation  
24 authorize or on a monthly direct reduction loan basis and the  
25 contract shall provide that the first monthly payment shall be  
26 made not later than sixty days after the advance of the loan,  
27 provided however:

28 \* \* \*

29 (d) If the loan is made for the purpose of facilitating the  
30 trade-in or exchange of residential real property a substantial

1 portion of which is used as a dwelling for not more than four  
2 families and does not exceed [eighty] ninety percent of the fair  
3 market value of the property it may be made for a term not  
4 exceeding eighteen months without amortization but interest  
5 shall be payable not less frequently than semi-annually.

6 (e) Any development loan under section 908 shall be  
7 repayable within [five] eight years and the interest on any such  
8 loan shall be payable at least semi-annually.

9 \* \* \*

10 ~~(k) Balloon loans are prohibited for financing the purchase~~ <—  
11 ~~of a one to two family residential property.~~

12 (K) EXCEPT IN THE CASE OF A DUE-ON-SALE CLAUSE OR EXCEPT IN <—  
13 THE CASE OF A DEFAULT AND IN ACCORDANCE WITH THE ACT OF JANUARY  
14 30, 1974 (P.L.13, NO.6), REFERRED TO AS THE LOAN INTEREST AND  
15 PROTECTION LAW, NO LOAN FOR FINANCING THE PURCHASE OF AN OWNER  
16 OCCUPIED ONE OR TWO FAMILY RESIDENTIAL PROPERTY SHALL CONTAIN A  
17 PROVISION THAT THE LOAN MAY BE ACCELERATED AT THE LENDER'S  
18 OPTION. BALLOON LOANS ARE PROHIBITED FOR FINANCING THE PURCHASE  
19 OF AN OWNER OCCUPIED ONE OR TWO FAMILY RESIDENTIAL PROPERTY.  
20 THIS RESTRICTION SHALL APPLY TO ALL COMMITMENTS FOR MORTGAGE  
21 LOANS GRANTED SUBSEQUENT TO THE EFFECTIVE DATE OF THIS  
22 SUBSECTION.

23 (l) Whenever a renegotiable rate mortgage loan is to be made  
24 under the authority of this act, the mortgagor must be given, <—  
25 along with the letter of commitment, written notice of the  
26 initial base value of the reference index to be utilized as a  
27 base in determining interest rate increases and decreases.

28 ~~(m) Except in the case of a default and in accordance with~~  
29 ~~the act of January 30, 1974 (P.L.13, No.6), referred to as the~~  
30 ~~Loan Interest and Protection Law, no loan for financing the~~

1 ~~purchase of a one to two family residential property shall~~  
2 ~~contain a provision that the loan may be accelerated at the~~  
3 ~~lender's option.~~ THE INITIAL BASE VALUE OF THE REFERENCE INDEX <—  
4 TO BE UTILIZED AS A BASE IN DETERMINING INTEREST RATE INCREASES  
5 AND DECREASES MUST BE ESTABLISHED AT THE TIME OF LOAN  
6 SETTLEMENT.

7 Section 12. Section 919 of the act, amended December 13,  
8 1979 (P.L.522, No.115), is amended to read:

9 Section 919. [Loans Secured by Chattel Paper.--(a) When an  
10 association holds a mortgage on real estate or on a leasehold  
11 interest therein it may also grant a loan secured by chattel  
12 paper to the mortgagor of the real estate or a leasehold  
13 interest to assist him in the purchase of consumers' durable  
14 goods, which shall be used in connection with said mortgaged  
15 premises, for the equipping of residential property provided:

16 (1) Any such loan shall conform to the requirements of  
17 Article 9 of the Uniform Commercial Code approved April 6, 1953  
18 (P.L.3, No.1), its amendments and supplements. No examination of  
19 public records shall be required in connection with the loan  
20 secured by chattel paper if the borrower is newly acquiring  
21 title to all of the chattels described in the security agreement  
22 and the seller of the chattels furnishes to the association a  
23 receipted bill for the same,

24 (2) No such loan shall exceed ten thousand dollars (\$10,000)  
25 in amount, nor shall its term exceed fifteen years and thirty-  
26 two days,

27 (3) No such loan may be granted unless it constitutes a  
28 first lien on the chattels described therein,

29 (4) In addition to obtaining a security agreement for such  
30 loans, the association shall secure a promissory note evidencing

1 the borrower's agreement to repay said loan in regular monthly  
2 installments over a period not exceeding five years with  
3 interest at a rate not exceeding that herein authorized under  
4 section 918 for loans for property repair, alteration and  
5 improvement on the declining balance. The note shall contain a  
6 provision that if the obligor shall sell the mortgaged real  
7 estate or assign his leasehold interest therein or remove  
8 therefrom any chattels described in the security agreement the  
9 entire balance remaining due on the loan shall immediately  
10 become due and payable,

11 (5) An association may make the following charges in  
12 connection with said loan:

13 (i) Premiums for insurance obtained in connection with the  
14 loan,

15 (ii) A single delinquency charge for each installment in  
16 arrears for a period of more than fifteen days other than by  
17 reason of acceleration or by reason of a delinquency on a prior  
18 installment, in an amount not to exceed the lesser of two  
19 dollars and fifty cents (\$2.50) or five percent of the amount of  
20 the installment,

21 (iii) A charge for an extension in an amount not to exceed  
22 two percent of the unpaid balance of the loan, said charge may  
23 be imposed only one time during the life of the loan,

24 (iv) Fees paid for filing documents in public offices in  
25 connection with said loan,

26 (v) Actual expenditures, including reasonable attorneys'  
27 fees for proceedings to collect the loan,] Consumer Loans and  
28 Certain Securities.--An association may make secured or  
29 unsecured loans for personal, family or household purposes, and  
30 may invest in, sell, or hold commercial paper and corporate debt

1 securities subject to regulations issued by the department after  
2 giving due consideration to the laws and regulations applicable  
3 to Federal savings and loan associations. The total of such  
4 loans and investments are limited to not in excess of twenty  
5 percent of the assets of the association.

6 Section 13. Subsection (n) of section 922 of the act,  
7 amended December 1, 1971 (P.L.572, No.148), is amended to read:

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

10 \* \* \*

11 (n) In capital stock obligations or other securities of any  
12 service corporation organized under the laws of the Commonwealth  
13 of Pennsylvania if the entire capital stock of such corporation  
14 is available for purchase only by savings associations and  
15 savings banks organized and existing under the laws of the  
16 Commonwealth of Pennsylvania and by Federal savings and loan  
17 associations having their home offices in the Commonwealth of  
18 Pennsylvania. The department shall have the right to define  
19 service corporations and the activities thereof. An association  
20 may make investments in service corporations up to [one] two  
21 percent of its assets plus such additional percentage of assets  
22 as the department may by regulation authorize,

23 \* \* \*

24 Section 14. The act is amended by adding ~~a section~~ SECTIONS <—  
25 to read:

26 Section 925. Nonconforming Loans.--An association shall have  
27 the right to invest limited to not in excess of five percent of  
28 the assets of the association in loans upon the security of or  
29 respecting real property or in interests therein used for  
30 primarily residential or farm purposes that do not comply with

1 the limitations elsewhere provided in the code.

2 SECTION 926. ENFORCEMENT OF MORTGAGES.--BEFORE ANY <—  
3 RESIDENTIAL MORTGAGE LENDER, AS DEFINED BY THE ACT OF JANUARY  
4 30, 1974 (P.L.13, NO.6), REFERRED TO AS THE LOAN INTEREST AND  
5 PROTECTION LAW, MAY ACCELERATE THE MATURITY OF ANY RESIDENTIAL  
6 MORTGAGE OBLIGATION AS DEFINED BY THE LOAN INTEREST AND  
7 PROTECTION LAW, COMMENCE ANY LEGAL ACTION INCLUDING MORTGAGE  
8 FORECLOSURE TO RECOVER UNDER SUCH OBLIGATION, OR TAKE POSSESSION  
9 OF ANY SECURITY OF THE RESIDENTIAL MORTGAGE DEBTOR, AS DEFINED  
10 BY THE LOAN INTEREST AND PROTECTION LAW, FOR SUCH RESIDENTIAL  
11 MORTGAGE OBLIGATION, SUCH PERSON SHALL GIVE THE RESIDENTIAL  
12 MORTGAGE DEBTOR NOTICE OF SUCH INTENTION AS PROVIDED UNDER  
13 SECTION 403 OF THE LOAN INTEREST AND PROTECTION LAW. A FORM OF  
14 NOTICE OF INTENTION TO FORECLOSE, PRESCRIBED BY REGULATIONS OF  
15 THE SECRETARY OF BANKING AS PROVIDED UNDER SECTION 601 OF THE  
16 LOAN INTEREST AND PROTECTION LAW, SHALL BE INTERPRETED AS  
17 SATISFYING THE REQUIREMENTS OF SECTION 403 OF SAID ACT.

18 Section 15. This act shall take effect immediately.