

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2368 Session of 2012

INTRODUCED BY PAYNE, HESS, GABLER, MARSHALL, MUNDY AND  
SCHMOTZER, JUNE 18, 2012

REFERRED TO COMMITTEE ON COMMERCE, JUNE 18, 2012

AN ACT

1 Amending the act of November 30, 1965 (P.L.847, No.356),  
2 entitled "An act relating to and regulating the business of  
3 banking and the exercise by corporations of fiduciary powers;  
4 affecting persons engaged in the business of banking and  
5 corporations exercising fiduciary powers and affiliates of  
6 such persons; affecting the shareholders of such persons and  
7 the directors, trustees, officers, attorneys and employes of  
8 such persons and of the affiliates of such persons; affecting  
9 national banks located in the Commonwealth; affecting persons  
10 dealing with persons engaged in the business of banking,  
11 corporations exercising fiduciary powers and national banks;  
12 conferring powers and imposing duties on the Banking Board,  
13 on certain departments and officers of the Commonwealth and  
14 on courts, prothonotaries, clerks and recorders of deeds;  
15 providing penalties; and repealing certain acts and parts of  
16 acts," further providing for definitions, for persons  
17 authorized to engage in business of receiving deposits and  
18 money for transmission, for corporations authorized to act as  
19 fiduciary, for retention of records and admissibility of  
20 copies in evidence, for emergency powers and for  
21 acquisitions, and offers to acquire, shares of banks, bank  
22 and trust companies, trust companies and national banks;  
23 repealing provisions relating to prohibition against certain  
24 acquisitions, to legal holidays and to limitation on deposit  
25 of Commonwealth funds; further providing for additional  
26 powers of incorporated institutions related to conduct of  
27 business, for persons bound by bylaws and execution of  
28 instruments, for general lending powers, for direct leasing  
29 of personal property and for limits on indebtedness of one  
30 customer including purchased paper; repealing provisions  
31 relating to installment loans including revolving credit  
32 plans, to real estate loans, to authorizing certain loans for  
33 commercial, business, professional, agricultural or nonprofit  
34 purposes including revolving credit plans, to authorizing

1 monthly interest loans for individuals, partnerships and  
2 other unincorporated entities, to alternate basis for  
3 interest charges by institutions, to charging interest at  
4 rates permitted competing lenders, to notice of annual fees  
5 and refunds on credit cards of affiliate banks, to  
6 authorization of fees for revolving credit plans and to  
7 extensions of credit to individuals, partnerships and  
8 unincorporated associations; further providing for  
9 application of chapter, for actions required, permitted or  
10 prohibited in fiduciary capacity, for transfer of fiduciary  
11 accounts and for investments; repealing provisions relating  
12 to real estate loans; further providing for lending powers  
13 and direct leasing of personal property; repealing provisions  
14 relating to conditional powers of savings banks; providing  
15 for pledges for deposits, limits on indebtedness of one  
16 customer including purchased paper; further providing for  
17 tentative trusts, for authorized offices, for authorization  
18 of new branches, for approval of branch by department and for  
19 branches outside Pennsylvania; repealing provisions relating  
20 to branches acquired from the receiver of a closed  
21 institution or from an institution in danger of closing;  
22 further providing for articles of incorporation and for  
23 certificate of authorization to do business; providing for  
24 organization as a limited liability company; further  
25 providing for minimum capital, for classes of shares, for  
26 share certificates, for cash dividends, for redemption and  
27 acquisition of redeemable shares and statement of reduction  
28 of authorized shares, for audits and reports by directors or  
29 trustees, accountants and internal auditors and for  
30 prohibitions applicable to directors, trustees, officers,  
31 employees and attorneys; repealing provisions relating to  
32 indemnity and immunity of certain directors; providing for  
33 standard of care and justifiable reliance; further providing  
34 for articles of amendment, for authority to merge or  
35 consolidate, for requirements for a merger or consolidation,  
36 for mergers, consolidations and conversions of savings banks,  
37 for right of shareholders to receive payment for shares  
38 following a control transaction, for articles of conversion,  
39 for voluntary dissolution prior to commencement of business,  
40 for certificate of election for voluntary dissolution and for  
41 articles of dissolution; repealing provisions relating to  
42 examinations and reports, to examination of affiliates and  
43 persons performing bank services, to relationship of  
44 institutions and their personnel with officials and employees  
45 of department and to additional powers of the Department of  
46 Banking; and further providing for penalties and criminal  
47 provisions applicable to directors, trustees, officers,  
48 employees and attorneys of institutions and for penalties  
49 applicable to persons subject to this act.

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

52 Section 1. Section 102(h), (p), (q), (z.1) and (bb.1) of the  
53 act of November 30, 1965 (P.L.847, No.356), known as the Banking  
54 Code of 1965, amended or added July 23, 1970 (P.L.597, No.199),

1 June 16, 1994 (P.L.346, No.51) and July 6, 1995 (P.L.271,  
2 No.39), are amended to read:

3 Section 102. Definitions

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

9 \* \* \*

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

15 (i) a temporary agency,

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

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

21 (iv) an automated teller machine,

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

23 or

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

26 \* \* \*

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

30 (q) "Incorporated institution"--a bank, a bank and trust

1 company, a trust company or a savings bank. The term includes a  
2 bank, a bank and trust company, a trust company or a savings  
3 bank that is organized as a limited liability company.

4 \* \* \*

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

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

8 (A) Has previously assumed or may assume deposit  
9 liabilities of an entity which was subject to the  
10 supervision of the department under the act of May 15,  
11 1933 (P.L.565, No.111), known as the "Department of  
12 Banking Code," the act of December 14, 1967 (P.L.746,  
13 No.345), known as the "Savings Association Code of 1967,"  
14 or this act and whose deposits were not insured by the  
15 Federal Deposit Insurance Corporation or any other  
16 Federal agency authorized by law to insure deposits.

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

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

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

26 \* \* \*

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

29 \* \* \*

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

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

3 \* \* \*

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

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

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

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

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

20 (v) a person licensed under the act of September 2, 1965  
21 (P.L.490, No.249), referred to as the Money Transmission  
22 Business Licensing Law, to the extent such person engages in  
23 the transmission of money by means of a transmittal  
24 instrument for a fee or other consideration.

25 \* \* \*

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

28 Section 106. Corporations Authorized to Act as Fiduciary

29 \* \* \*

30 (b) Foreign fiduciaries--No corporation or other legal

1 entity existing under the laws of a state other than this  
2 Commonwealth may act in this Commonwealth as fiduciary, except  
3 that an incorporated institution possessing fiduciary powers  
4 pursuant to the laws of another state shall have the same power  
5 to engage in fiduciary activities within this Commonwealth as a  
6 national banking association acting pursuant to 12 U.S.C. § 92a  
7 or a Federal savings association 12 U.S.C. § 1464(n), provided  
8 that:

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

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

14 (iii) the incorporated institution provides written  
15 notice to the department at least thirty days prior to the  
16 commencement of fiduciary activities, which notice shall be  
17 accompanied by documentation of its authorization to conduct  
18 fiduciary activities issued by the appropriate regulatory  
19 authority of the jurisdiction in which the institution is  
20 chartered or organized, acknowledgment by the appropriate  
21 regulatory authority of the jurisdiction in which the  
22 institution is chartered or organized that equivalent  
23 privileges are provided to incorporated institutions  
24 chartered within this Commonwealth, proof the institution  
25 complies with the minimum capital requirements of section  
26 1102 and a certificate of authority to do business in this  
27 Commonwealth issued by the Department of State pursuant to 15  
28 Pa.C.S. Ch. 41 (relating to foreign business corporations).

29 (c) National banks and Federal savings banks--A national  
30 bank or Federal savings bank located in this Commonwealth which

1 has authority under the laws of the United States to act as  
2 fiduciary may act as fiduciary in this Commonwealth.

3 \* \* \*

4 Section 4. Section 108(a) of the act is amended to read:  
5 Section 108. Retention of Records and Admissibility of Copies  
6 in Evidence

7 (a) Requirement of retention--Every institution [and every  
8 national bank located in this Commonwealth] shall retain in such  
9 form and manner that they may be readily produced upon proper  
10 demand each record of original or final entry, and each deposit  
11 or withdrawal slip or ticket, for a period of seven years from  
12 the date of the making of the last entry thereon, except that  
13 coupons accompanying deposits in a club account, such as a  
14 Christmas club or a vacation club, need not be so retained for  
15 more than two years from the date of closing of such account.

16 \* \* \*

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

19 Section 111. Emergency Powers

20 \* \* \*

21 (b) Whenever the Secretary of Banking is of the opinion that  
22 circumstances or an emergency exists affecting all institutions  
23 [and national banks] in the Commonwealth or in any parts  
24 thereof, he may authorize by public announcement in such manner  
25 as he shall determine institutions located in the area or areas  
26 affected to close any or all of their offices. In addition, if  
27 the secretary is of the opinion that only a particular  
28 institution is affected but not those located in the area  
29 generally, he may authorize the particular institution to close  
30 its office or offices so affected.

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

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

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

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

22 \* \* \*

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

26 \* \* \*

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

30 \* \* \*



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

4 \* \* \*

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

7 [Section 112.1. Prohibition Against Certain Acquisitions

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

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

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

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

23 Section 113. Legal Holidays

24 \* \* \*

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

28 Section 114. Limitation on Deposit of Commonwealth Funds

29 The Treasury Department shall not deposit any Commonwealth  
30 Funds in a financial institution subject to this act that

1 unlawfully does not conform to the finance charge limitations in  
2 the act of October 28, 1966 (1st Sp.Sess. P.L.55, No.7), known  
3 as the "Goods and Services Installment Sales Act," provided that  
4 there are other financial institutions in the Commonwealth  
5 properly approved by the Board of Finance and Revenue which can  
6 adequately collateralize and service Commonwealth Funds and  
7 instruments.]

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

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

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

16 \* \* \*

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

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

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

24 (iii) acquires solely or jointly with others for the  
25 purpose of providing data processing facilities for the  
26 institution or for the institution and others subject to the  
27 limitation that the book value of all such real property, of  
28 all furniture, fixtures and equipment acquired in connection  
29 with any real property owned or leased by the institution, of  
30 all alterations of buildings on real property owned or leased

1 by the institution, of all shares of stock or corporations  
2 acquired under subsection (d) of this section, and  
3 investments in obligations of or for the benefit of  
4 corporations described in subsection (d) of this section or  
5 loans upon the security of the stock of such corporations  
6 shall not exceed [twenty-five] one hundred percent of the  
7 aggregate of surplus, unallocated reserves, undivided profits  
8 and subordinated securities in the case of a mutual savings  
9 bank, or [twenty-five] one hundred percent of the aggregate  
10 of capital, surplus, undivided profits and capital securities  
11 in the case of any other institution, or such larger amount  
12 as may be approved by the department, and subject to the  
13 requirement that estimates of costs of any building on real  
14 property owned or leased by the institution shall be  
15 submitted to the department for its approval prior to the  
16 erection thereof;

17 \* \* \*

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

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

21 \* \* \*

22 (b) Without regard to any other form of execution provided  
23 in the by-laws, an instrument in writing, or any assignment or  
24 endorsement thereof, executed or entered into between an  
25 incorporated institution and any person and signed by the  
26 president and by the cashier or treasurer of the institution,  
27 shall be held to have been properly executed for and in behalf  
28 of the institution. [Except as otherwise required by statute,  
29 the affixation of the corporate seal shall not be necessary to  
30 the valid execution, assignment or endorsement by an institution

1 of any instrument in writing.]

2 Section 303. General Lending Powers

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

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

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

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

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

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

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

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

1 in installments, and  
2 (iv) interest may be charged and collected by the  
3 institution from time to time on the outstanding unpaid  
4 indebtedness under the plan.

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

9 "Truth in Lending"--the Truth in Lending Act (Public Law  
10 90-321, 15 U.S.C. § 1601 et seq.) and regulations promulgated  
11 thereunder as in effect from time to time. The terms "finance  
12 charge," "annual percentage rate," "credit card," "open-end  
13 credit" and "closed-end credit" have the same coverage and  
14 meanings as the definitions of those terms under Truth in  
15 Lending.

16 (b) General rule--

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

26 (ii) This section shall govern all direct and indirect  
27 extensions of credit by an institution for personal, family,  
28 household, business or agricultural purposes to an  
29 individual, a partnership, a limited liability company or an  
30 unincorporated association, whether as closed-end credit or

1 open-end credit.

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

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

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

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

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

27 (iv) the method of determining balances of unpaid  
28 indebtedness to which periodic rates of interest are  
29 applicable which, in the case of an open-end credit plan,  
30 may, if the agreement governing the plan so provides, include

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

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

25 (vii) insurance coverages and premiums for insurance  
26 coverages.

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

30 (e) Computation of interest--A fixed rate of interest

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

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

17 (i) the agreement so provides,

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

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

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

29 If the agreement governing the plan so provides, a change of  
30 terms pursuant to this subsection may, on and after the date it



1 becomes effective as to an account, apply to all then  
2 outstanding unpaid indebtedness. A change in the amount of  
3 interest imposed in accordance with or with reference to a  
4 schedule or formula for a variable rate of interest shall not be  
5 deemed to be a change in terms, but a change in such schedule or  
6 formula shall be deemed to be a change in terms. No change may  
7 be made in a fixed rate of interest or other charges payable  
8 with respect to the outstanding balance of indebtedness or in  
9 the amount or due dates of required installment payments on  
10 closed-end credit unless there is written consent of the  
11 customer at the time of the change except for an extension of  
12 any due date or an option granted by the institution to the  
13 customer to omit payments and except as may be otherwise  
14 provided in an agreement for an extension of credit which is not  
15 for personal, family or household purposes.

16 (g) Prepayment--

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

19 (ii) If interest has been precomputed, then, in the  
20 event of prepayment of an extension of credit, the  
21 institution shall refund to the customer the unearned portion  
22 of the precomputed interest. The refund shall be in an amount  
23 not less than the amount of the unearned precomputed interest  
24 calculated in accordance with a generally accepted actuarial  
25 method, including a method permitted for determination of an  
26 annual percentage rate under Truth in Lending, except that  
27 the amount of the unearned interest on an extension of credit  
28 with an initial maturity of not more than sixty months which  
29 is made within two years after the effective date of this  
30 section for which interest is computed on an add-on or

1 discount basis as permitted by subsection (e) may be  
2 calculated in accordance with the "sum of the balances"  
3 method and except that the customer shall not be entitled to  
4 a refund which results in a net minimum charge of less than  
5 an amount equal to the interest that would accrue in the  
6 first month the extension of credit was scheduled to be  
7 outstanding. The institution shall not be required to refund  
8 the unearned portion of the interest if such amount is less  
9 than one dollar (\$1).

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

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

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

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

30 (h) Insurance--The agreement may provide for life, health,

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

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

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

27 (ii) either the institution has made a commitment to  
28 make the extension of credit or the agreement is subject to  
29 acceptance by the institution within two business days after  
30 the date of the agreement and the institution upon such

1 acceptance sends written notice to the buyer. The terms and  
2 conditions under which the seller acts as an intermediary  
3 between the institution and the buyer shall be determined by  
4 written agreement between the institution and the seller.

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

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

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

30 (l) Waiver of provisions--No provision of this section which

1 confers rights on the customer or any other person may be waived  
2 or modified except to the extent and in the circumstances in  
3 which Truth in Lending permits a consumer to waive or modify the  
4 right of rescission.

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

11 (n) Real estate loans--

12 (i) An institution may, subject to the requirements of  
13 this section, make or acquire a loan secured by a lien on  
14 real estate, including a lease-hold, located in any state or  
15 the District of Columbia, in a dependency or insular  
16 possession of the United States or in the Commonwealth of  
17 Puerto Rico for a term not to exceed forty years and in an  
18 amount not to exceed ninety percent of the value of the loan  
19 except that if the amount of the loan does not exceed one  
20 hundred thousand dollars (\$100,000) or is made in reliance  
21 upon a private mortgage insurance or guarantee acceptable to  
22 the department regardless of the amount of the loan, then one  
23 hundred percent of the value of the loan, unless otherwise  
24 subject to the supervisory loan-to-value limits established  
25 by the Federal Deposit Insurance Corporation in 12 CFR Pt.  
26 365, Subpt. A, Appendix A (relating to interagency guidelines  
27 for real estate lending policies).

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

30 (A) the loan shall be evidenced by a bond, note or

1 other obligation, and the lien securing the loan shall be  
2 obtained by a mortgage, deed of trust or judgment,

3 (B) the value of the real estate shall be determined  
4 by a real estate appraiser qualified in the state where  
5 the real estate is located who shall inspect the real  
6 estate and state its value to the best of the appraiser's  
7 judgment in a written report signed by the appraiser that  
8 must be preserved in the records of the institution,

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

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

23 (E) an institution may make a single delinquency  
24 charge for each payment in arrears for a period of more  
25 than fifteen days other than by reason of acceleration or  
26 by reason of a delinquency on a prior payment.

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

29 (A) a loan guaranteed at least to the extent of  
30 twenty percent of the loan, or for which a written

1 commitment for the guarantee has been issued, by the  
2 Veterans Administration pursuant to 38 U.S.C. (relating  
3 to veterans' benefits),

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

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

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

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

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

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

21 (2) collateral other than the real estate lien,

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

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

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

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

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

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

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

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

16 Section 304. Direct Leasing of Personal Property

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

25 Section 11. Section 306(b) and (e) of the act, amended July  
26 6, 1984 (P.L.621, No.128), are amended to read:

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

29 \* \* \*

30 (b) Indebtedness included--There shall be included in the



1 indebtedness of one customer to which the fifteen percent  
2 limitation of this section applies:

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

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

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

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

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

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

29 \* \* \*

30 (e) Definition--As used in this section [the term "capital

1 accounts" means the aggregate of capital, surplus, undivided  
2 profits, capital securities and reserve for loan losses of the  
3 institution. Reserve for loan losses shall mean that portion of  
4 an institution's earnings set aside as a general reserve to  
5 absorb possible future losses on loans as of the last complete  
6 calendar or fiscal year, carried in an account captioned  
7 "reserve for loan loss" or "reserve for bad debts."], the  
8 following words and phrases shall have the meanings given to  
9 them in this subsection:

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

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

23 Section 12. Section 309 of the act, amended July 30, 1975  
24 (P.L.108, No.56) and May 21, 1980 (P.L.173, No.51), is repealed:  
25 [Section 309. Installment Loans (Including Revolving Credit  
26 Plans)

27 (a) Maximum rate--An institution may make a charge for an  
28 installment loan which complies with the requirements of this  
29 section, at a rate not in excess of six dollars (\$6) per one  
30 hundred dollars (\$100) per annum computed on the original

1 principal amount for the period of the loan. If such loan is one  
2 of a series of loans under an agreement ("revolving credit  
3 plan") providing a maximum outstanding balance of all such loans  
4 at any time, the institution may make a charge at a rate not in  
5 excess of one percent per month on the actual outstanding  
6 balance of the loan.

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

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

12 (ii) of the dollar amount of its total charge under  
13 subsection (a) of this section for any other installment loan  
14 by a statement in an evidence of indebtedness or agreement in  
15 connection with the loan or by any other method that complies  
16 with requirements established by regulation of the department.

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

27 (d) Maximum amount--The original principal amount of any  
28 loan, and the total of the principal balances of all loans to  
29 one borrower outstanding at any time, for which a charge is made  
30 pursuant to the authorization of this section shall not be in

1 excess of ten thousand dollars (\$10,000). For any portion of one  
2 or more loans to one borrower in excess of such amount, the  
3 charge which the institution may make shall be governed by law  
4 other than this section.

5 (e) Installments--The total amount payable on the loan shall  
6 be payable in installments of substantially equal amounts at  
7 substantially equal intervals of not more than three months  
8 each, except that installments may be omitted, because of the  
9 borrower's receipt of income on an intermittent basis, for a  
10 total period which is not more than three months in each  
11 calendar year, and except that in the case of a loan or loans  
12 made under a revolving credit plan the amounts of installments  
13 may be based on a percentage of the balance of all loans  
14 outstanding under the plan.

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

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

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

25 (iii) a single delinquency charge for each installment  
26 in arrears for a period of more than fifteen days other than  
27 by reason of acceleration or by reason of a delinquency on a  
28 prior installment, in an amount not to exceed the lesser of  
29 two dollars and fifty cents (\$2.50) or five percent of the  
30 amount of the installment,

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

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

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

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

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

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

27 Section 13. Section 310 of the act, amended May 21, 1980  
28 (P.L.173, No.51), July 9, 1992 (P.L.430, No.90) and November 22,  
29 2000 (P.L.660, No.89), is repealed:

30 [Section 310. Real Estate Loans

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

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

9 (A) ten years, if unamortized, or

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

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

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

29 (b) Additional term for combination of construction and  
30 permanent loans--In a case in which a loan subject to this

1 section is made to finance construction of an improvement and  
2 such loan is combined with a permanent loan to continue after  
3 completion of construction, the term of the construction loan or  
4 that portion of the term not in excess of three years, shall not  
5 be counted against the maximum term for the permanent loan  
6 permitted under subsection (a) of this section but such combined  
7 construction loan and permanent loan shall be subject to all  
8 other requirements of this section.

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

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

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

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

27 (iii) the value of the real estate shall be determined  
28 either by a real estate appraiser qualified in the state  
29 where the real estate is located who shall inspect the real  
30 estate and state its value to the best of his judgment in a

1 written report signed by him which must be preserved in the  
2 records of the institution or in the alternative by an  
3 appraisal signed by two reputable persons who shall:

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

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

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

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

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

30 (vi) an institution may make a single delinquency charge



1 for each payment in arrears for a period of more than fifteen  
2 days other than by reason of acceleration or by reason of a  
3 delinquency on a prior payment.

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

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

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

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

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

17 (v) an investment security acquired pursuant to section  
18 307; or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

10 (iii) in a case in which the principal amount of the  
11 loan is distributed periodically to the borrower, a  
12 requirement of payment of interest only from the dates of  
13 such distributions of the principal amount and a requirement  
14 for the payment of principal and interest, commencing not  
15 more than three months after the last distribution, in  
16 substantially equal payments at successive intervals of not  
17 more than one year each and sufficient to pay all principal  
18 of and interest on the loan within ten years after the date  
19 of commencement of such payments.]

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

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

26 (a) Maximum rate--An institution may make a charge for an  
27 installment loan which complies with the requirements of this  
28 section at a rate not in excess of five dollars (\$5) per one  
29 hundred dollars (\$100) per annum computed on the original  
30 principal amount for the period of the loan. If such loan is one

1 of a series of loans under an agreement ("revolving credit  
2 plan") providing a maximum outstanding balance of all such loans  
3 at any time, the institution may make a charge at a rate not in  
4 excess of three-fourths of one percent per month on the actual  
5 outstanding balance of the loan.

6 (b) Eligible borrowers--An installment loan for which the  
7 charge authorized by this section may be made may be granted  
8 only to a customer which is a nonprofit organization or to a  
9 customer which is engaged in a commercial, business,  
10 professional or agricultural enterprise for purposes of such  
11 enterprise.

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

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

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

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

30 (i) premiums for insurance obtained in connection with

1 the loan,

2 (ii) a single delinquency charge for each installment in  
3 arrears for a period of more than fifteen days other than by  
4 reason of acceleration or by reason of a delinquency on a  
5 prior installment, in an amount not to exceed the lesser of  
6 fifteen dollars (\$15) or five percent of the amount of the  
7 installment,

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

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

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

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

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

29 [Section 317. Authorizing Monthly Interest Loans for

30 Individuals, Partnerships and Other Unincorporated

1                   Entities

2           (a) Maximum rate--An institution may make a charge for a  
3 loan which complies with the requirements of this section at a  
4 rate not in excess of one percent per month on the actual  
5 outstanding principal balance of the loan. This provision shall  
6 be in addition to and shall not be limited by other statutes  
7 authorizing rates of interest on charges for credit except it  
8 shall not be applicable to a residential mortgage loan for which  
9 a maximum rate of interest is provided under the act of January  
10 30, 1974 (P.L.13, No.6), referred to as the Loan Interest and  
11 Protection Law. An institution which makes a charge permitted by  
12 this section may not also make a charge for the same transaction  
13 under any other statutory provision.

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

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

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

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

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

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

3 [Section 318. Alternate Basis for Interest Charges by  
4 Institutions

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

14 Section 17. Sections 319 and 320 of the act, added April 8,  
15 1982 (P.L.262, No.79), are repealed:

16 [Section 319. Charging Interest at Rates Permitted Competing  
17 Lenders

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

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

27 (a) Notice of annual fees--A bank which is an affiliate of  
28 an institution, which is domiciled in a state whose law permits  
29 an annual fee to be charged on a credit card issued by such  
30 affiliate to Pennsylvania residents and which gives notice after

1 the effective date of this section that such an annual fee will  
2 be charged shall, at least once in each subsequent year, give  
3 written notice to each card holder in this State of the  
4 procedure to follow if such card holder desires to terminate his  
5 account in order not to incur such fee. Such notice shall be  
6 given not less than sixty days prior to the beginning of the  
7 annual period for which such fee is computed.

8 (b) Refunds--An affiliate of an institution shall in the  
9 event of a credit balance in the account of a holder of a credit  
10 card make a cash refund of such over-payment within thirty days  
11 after demand by the card holder and in the event of failure to  
12 make a refund within such thirty days shall pay interest at the  
13 rate of five and one quarter percent on the amount of such  
14 credit balance until the refund is made.

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

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

19 [Section 321. Authorization of Fees for Revolving Credit Plans

20 Pursuant to an agreement with a customer, an institution may  
21 charge on an annual or other periodic basis, fees for privileges  
22 made available under a credit card or other revolving credit  
23 plan which permits purchases or loans or both from time to time.  
24 Such fees may not be in excess of fifteen dollars (\$15) in any  
25 twelve-month period for each credit card account or other  
26 revolving credit plan and may be collected in addition to  
27 interest, finance charges, service charges and other charges  
28 permitted by law. At least fifteen days prior to the effective  
29 date of any such fee or an increase in the amount thereof, an  
30 institution shall mail or deliver to a customer a written notice



1 that the fee or increase will be incurred only if the customer  
2 expressly agrees or if the customer or an authorized person uses  
3 the plan by making a purchase or obtaining a loan after the  
4 effective date stated in the notice. Such notice shall be given  
5 in compliance with the disclosure requirements of the Federal  
6 Truth in Lending Act and regulations thereunder.]

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

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

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

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

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

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

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

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

29 (iii) the customer is required to pay the institution  
30 the amounts of all purchases and loans charged to the

1 customer's account under the plan but has the privilege of  
2 paying the amounts outstanding from time to time in full or  
3 installments, and

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

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

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

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

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

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

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

1 law.

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

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

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

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

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

1 day of each calendar quarter, plus ten percent,

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

8 (v) charges which may be imposed in addition to  
9 interest, in such amounts as the agreement provides, or as  
10 established in the manner the agreement provides, such as,  
11 but not limited to, minimum charges, check charges and  
12 maintenance charges related to extensions of credit pursuant  
13 to overdraft check plans, a delinquency charge of twenty  
14 dollars (\$20) or ten percent of each installment or payment,  
15 whichever is higher, which is in default for more than  
16 fifteen days and fees, extension charges and actual charges  
17 that may be incurred on default, including, but not limited  
18 to, court and other collection costs and reasonable attorney  
19 fees. Such additional charges may include a daily, weekly,  
20 monthly, annual or other periodic charge for the privileges  
21 made available to the customer under an open-end credit plan,  
22 transaction charges for each separate purchase or loan under  
23 the plan and a minimum charge for each scheduled billing  
24 period under the plan, during any portion of which there is  
25 an outstanding unpaid indebtedness under the plan,

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

1 (vii) insurance coverages and premiums therefor.

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

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

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

22 (i) the agreement so provides,

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

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

30 (iv) in the case of an increase in a fixed rate of

1 interest or other charges payable by the customer under an  
2 open-end credit plan, the customer incurs additional  
3 indebtedness after the effective date of the change of terms.  
4 If the agreement governing the plan so provides, a change of  
5 terms pursuant to this subsection may, on and after the date it  
6 becomes effective as to an account, apply to all then  
7 outstanding unpaid indebtedness. A change in the amount of  
8 interest imposed in accordance with or with reference to a  
9 schedule or formula for a variable rate of interest shall not be  
10 deemed to be a change in terms, but a change in such schedule or  
11 formula shall be deemed to be a change in terms. No change may  
12 be made in a fixed rate of interest or other charges payable  
13 with respect to the outstanding balance of indebtedness or in  
14 the amount or due dates of required installment payments on  
15 closed-end credit unless there is written consent of the  
16 customer at the time of the change except for an extension of  
17 any due date or an option granted by the institution to the  
18 customer to omit payments and except as may be otherwise  
19 provided in an agreement for an extension of credit which is not  
20 for personal, family or household purposes.

21 (g) Prepayment--

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

24 (ii) If interest has been precomputed, then, in the  
25 event of prepayment of an extension of credit, the  
26 institution shall refund to the customer the unearned portion  
27 of the precomputed interest. The refund shall be in an amount  
28 not less than the amount of the unearned precomputed interest  
29 calculated in accordance with a generally accepted actuarial  
30 method, including a method permitted for determination of an

1 annual percentage rate under Truth in Lending, except that  
2 the amount of the unearned interest on an extension of credit  
3 with an initial maturity of not more than sixty months which  
4 is made within two years after the effective date of this  
5 section for which interest is computed on an add-on or  
6 discount basis as permitted by subsection (e) may be  
7 calculated in accordance with the "sum of the balances"  
8 method and except that the customer shall not be entitled to  
9 a refund which results in a net minimum charge of less than  
10 an amount equal to the interest that would accrue in the  
11 first month the extension of credit was scheduled to be  
12 outstanding. The institution shall not be required to refund  
13 the unearned portion of the interest if such amount is less  
14 than one dollar (\$1).

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

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

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

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

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

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

28 (i) the agreement governing the extension of credit  
29 conspicuously provides that the extension of credit is made  
30 by the institution to the buyer and is subject to the



1 provisions of this section, and

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

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

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

30 (k) Statement of account--Upon the written request of the

1 customer, an institution shall provide, within ninety days after  
2 the end of each calendar year, a statement of the customer's  
3 account showing payments made during such year, the amount  
4 applied to interest and the balance of the account at the end of  
5 such year.

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

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

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

19 Section 401. Application of Chapter

20 This chapter shall apply to, and the word "institution" in  
21 this chapter shall mean, a bank and trust company, an interstate  
22 bank which has fiduciary powers under its law of incorporation,  
23 a trust company and a savings bank that has fiduciary powers,  
24 except that section 407 shall apply only to a trust company. The  
25 powers conferred by this chapter on a bank and trust company or  
26 savings bank that has fiduciary powers shall be independent of,  
27 and shall not expand, the banking powers of such an institution.

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

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

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

6 \* \* \*

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

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

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

28 \* \* \*

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

1 Section 408. Transfer of Fiduciary Accounts

2 [(a) Definitions--The definitions set forth in section  
3 115(a) shall also apply to this section.]

4 (b) Transfer of accounts--[With] Provided that an  
5 institution is directly involved in the transaction, with the  
6 prior written approval of, and in accordance with the terms and  
7 conditions of transfer prescribed by, the department, and upon  
8 completion of the notice procedures of subsection (c) without  
9 objection, a [Pennsylvania] bank holding company with a  
10 subsidiary institution, national bank or Federal savings bank  
11 located in this Commonwealth may cause the transfer of one or  
12 more of the [fiduciary] accounts with a situs in this  
13 Commonwealth and held in any capacity provided for under section  
14 402 of one or more of the institutions [or trust companies],  
15 national banks or Federal savings banks controlled by such bank  
16 holding company to either:

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

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

22 (c) Notice procedure--[Prior] Notwithstanding the provisions  
23 of 20 Pa.C.S. (relating to decedents, estates and fiduciaries),  
24 prior to effecting a transfer of one or more [fiduciary]  
25 accounts under subsection (b), a [Pennsylvania] bank holding  
26 company shall cause notice that such a transfer will take place  
27 to be given to the settlor of the account, or if the settlor is  
28 deceased, to persons who are readily ascertainable as  
29 beneficiaries of the account by their receipt of statements of  
30 the account. Such notice shall also be given to any co-fiduciary

1 of the account. If the persons or their legal representatives or  
2 guardians, in the case of minor children or incompetents, to  
3 whom the notice required by this subsection has been given, do  
4 not make written objection to the institution [or trust  
5 company], national bank or Federal savings bank then acting as  
6 fiduciary of the account or to the holding company which issued  
7 the notice within 15 days of the date the notice was mailed,  
8 then the holding company may complete the transfer of the  
9 account.

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

24 Section 23. Section 504(a.1) of the act, added December 21,  
25 1988 (P.L.1416, No.173), is amended to read:

26 Section 504. Investments

27 \* \* \*

28 [(a.1) Investments authorized by Savings Association Code--  
29 Notwithstanding any other provision of this act, a savings bank  
30 may make such investments as may be authorized for a savings

1 association by section 922 of the act of December 14, 1967  
2 (P.L.746, No.345), known as the Savings Association Code of  
3 1967.]

4 \* \* \*

5 Section 24. Section 505 of the act, amended December 13,  
6 1979 (P.L.527, No.116), May 21, 1980 (P.L.173, No.51), December  
7 21, 1988 (P.L.1416, No.173) and November 22, 2000 (P.L.660,  
8 No.89), is repealed:

9 [Section 505. Real Estate Loans

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

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

18 (A) ten years, if unamortized; or

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

30 (ii) in the case of unimproved real estate to be

1 acquired or developed with the proceeds of the loan, for a  
2 term not to exceed five years; and

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

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

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

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

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

1           (ii) the lien shall be a first or second lien (except  
2 for a lien of taxes, assessments or charges which are not yet  
3 due or which are payable without penalty) unless all prior  
4 liens are held by the savings bank. The aggregate of all  
5 loans by the savings bank secured by liens on the real estate  
6 shall satisfy all other requirements of this section  
7 pertaining to such loans;

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

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

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

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



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

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

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

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

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

21 (v) an investment security, or

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

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

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

29 (C) a guaranty, or an agreement to take over or  
30 purchase the loan in the event of default, by a

1 financially responsible person other than a person  
2 engaged in the business of guaranteeing real estate  
3 loans, or

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

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

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

12 (f) Maximum rates--Loans including variable interest rate  
13 loans may be made at rates of interest as authorized by the act  
14 of January 30, 1974 (P.L.13, No.6), referred to as the Loan  
15 Interest and Protection Law, or any other statute or at a  
16 maximum rate of interest not in excess of the maximum lawful  
17 interest rate permitted to be charged by a National Bank located  
18 in Pennsylvania under 12 U.S.C. § 85.

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

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

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

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

6           (iii) in a case in which the principal amount of the  
7 loan is distributed periodically to the borrower, a  
8 requirement of payment of interest only from the dates of  
9 such distributions of the principal amount and a requirement  
10 for the payment of principal and interest, commencing not  
11 more than three months after the last distribution, in  
12 substantially equal payments at successive intervals of not  
13 more than one year each and sufficient to pay all principal  
14 of and interest on the loan within ten years after the date  
15 of commencement of such payments: Provided, That in such case  
16 the priority of the lien of any distribution and all other  
17 amounts secured by the mortgage shall date from the recording  
18 of the mortgage whether or not the mortgagee was legally  
19 obligated to make such distribution of payment.

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

28       Section 25. Section 506 of the act, amended December 21,  
29 1988 (P.L.1416, No.173) and December 28, 1994 (P.L.1424,  
30 No.167), is amended to read:

1 Section 506. Lending Powers; Direct Leasing of Personal

2 Property

3 (a) A savings bank may[:

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

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

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

17 (B) when any such loan is not insured under national  
18 housing legislation, the principal amount thereof shall  
19 not exceed the amount authorized under Title I of the  
20 National Housing Act and the loan shall be evidenced by a  
21 note or other written evidence of debt requiring  
22 repayment in regular monthly installments over a period  
23 not exceeding that authorized under Title I of the  
24 National Housing Act. The note or other written evidence  
25 of debt may contain a provision that if the borrower  
26 shall sell the premises or assign his leasehold interest  
27 therein or remove therefrom any improvements described in  
28 the security agreement the entire balance remaining due  
29 on the loan shall immediately become due and payable. The  
30 annual interest rate for loans made under this subsection

1 shall not exceed the sum of the authorized interest rate  
2 for loans insured under Title I of the National Housing  
3 Act plus the annual rate for insurance on loans insured  
4 under Title I of the National Housing Act or creditor  
5 insurance applied to the loan. In addition to the  
6 interest herein authorized a savings bank may make the  
7 following charges in connection with said loan:

8 (1) premiums for insurance obtained in  
9 connection with the loan, but not including any  
10 charge for creditor insurance, if any, on such loan,

11 (2) a single delinquency charge for each  
12 installment in arrears for a period of more than  
13 fifteen days other than by reason of acceleration or  
14 by reason of delinquency on a prior installment in an  
15 amount not to exceed the lesser of five dollars (\$5)  
16 or five percent of the amount of the installment,

17 (3) a charge for an extension in an amount not  
18 to exceed two percent of the unpaid balance of the  
19 loan. Said charge may be imposed only one time during  
20 the life of the loan,

21 (4) fees paid for filing documents in public  
22 offices in connection with said loan, and

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

26 (C) the aggregate amount of all such loans held by  
27 any one savings bank at one time with or without  
28 insurance under national housing legislation shall not  
29 exceed twenty percent of its total assets. Any such loan  
30 made without such insurance shall also conform to rules

1 and regulations which may be prescribed from time to time  
2 by the department,

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

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

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

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

22 (B) in the case of a savings bank which has elected  
23 to exercise the conditional powers provided in section  
24 513, for terms of less than ten years, except that the  
25 total amount of such short term loans shall not exceed  
26 twenty percent of the assets of the savings bank;

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

30 (vi) in the case of a savings bank which has elected to

1 exercise the conditional powers provided in section 513, make  
2 secured or unsecured loans for personal, family or household  
3 purposes, including loans reasonably incident to the  
4 provision of such credit, and subject to regulation by the  
5 department, issue credit cards, extend credit in connection  
6 therewith, and otherwise engage in or participate in credit  
7 card operations, except that the total amount of such loans  
8 or extensions of credit shall not exceed thirty percent of  
9 the assets of such savings bank;

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

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

15 (ix) in any loan or extension of credit made under the  
16 authority of this section, charge or impose any rate or  
17 charge which could be imposed by a bank in connection with  
18 any such loan or extension of credit, make agreements in the  
19 same manner and with the same terms, provisions and  
20 conditions as a bank and, in addition to the restrictions of  
21 this section, shall be subject only to the same disclosure  
22 and other requirements, restrictions and limitations imposed  
23 upon a bank in connection with such loan or extension of  
24 credit.] lend money, extend credit and discount or purchase  
25 evidences of indebtedness and agreements for the payment of  
26 money pursuant to section 303 and acquire and lease personal  
27 property pursuant to a binding arrangement for the leasing of  
28 that property to a customer upon terms requiring payment to  
29 the savings bank, during the minimum period of the lease, of  
30 rentals which in the aggregate will exceed the total

1 expenditures by the savings bank for or in connection with  
2 the acquisition, ownership, maintenance and protection of the  
3 property.

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

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

12 [Section 513. Conditional Powers of Savings Banks

13 (a) A savings bank which makes an election provided in  
14 subsection (b) shall, in addition to its other powers under this  
15 act, have the powers specified in section 504(b)(xiii), section  
16 506(a)(iv)(B) and (a)(vi) on the condition that it accepts the  
17 requirements provided in subsection (c).

18 (b) An election to exercise the conditional powers provided  
19 in this section shall be made by filing with the department a  
20 written statement of such election in such form as the  
21 department may provide. Such election shall become effective  
22 upon publication thereof by the department in the Pennsylvania  
23 Bulletin or at such later time following such publication as the  
24 savings bank may specify in its election.

25 (c) Upon the effective date of an election by a savings bank  
26 to exercise the conditional powers provided in this section, it  
27 shall become subject to regulations which after giving due  
28 consideration to the laws and regulations applicable to Federal  
29 mutual savings banks, the department shall adopt and such  
30 regulations shall impose on such savings banks requirements and



1 limitations with respect to the election of trustees by  
2 depositors and the exercise of such conditional powers as are  
3 deemed appropriate to protect the public interest in the  
4 soundness and preservation of the banking system and to foster  
5 competition among financial institutions in Pennsylvania,  
6 including Federal mutual savings banks in this Commonwealth  
7 existing under the laws of the United States and subject to the  
8 regulations of the Federal Home Loan Bank Board. In the event of  
9 future changes in such Federal law and regulation, the  
10 department may amend the regulations required by this subsection  
11 so as to assure that they continue to reflect the purpose of  
12 this section. A savings bank may at any time rescind its  
13 election by filing a notice with the department in such form as  
14 it may provide. The department shall promptly publish in the  
15 Pennsylvania Bulletin each such notice to rescind an election  
16 which shall be effective on the date of such publication or on  
17 such later date after publication as the savings bank may  
18 specify in its notice.]

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

20 Section 515. Pledges for Deposits

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

23 (i) public funds,

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

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

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

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

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

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

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

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

14 (a) General limit--A savings bank shall not at any time  
15 acquire indebtedness of any one customer, which includes an  
16 individual or any legal entity, of the types specified in this  
17 section, in an amount which together with all other such  
18 indebtedness then held would exceed fifteen percent of the  
19 capital accounts of the savings bank. If the department  
20 determines at any time that the interests of a group of more  
21 than one individual, partnership, unincorporated association or  
22 corporation are so interrelated that they should be considered  
23 as a unit for the purpose of extensions of credit, the total  
24 indebtedness of that group acquired at any time shall be  
25 combined and deemed indebtedness acquired from one customer in  
26 applying the limitation of this section. A savings bank shall  
27 not be deemed to have violated this section solely by reason of  
28 the fact that the indebtedness of a group then held exceeds the  
29 limitation of this section at the time of a determination by the  
30 department that the indebtedness of that group must be combined

1 but the institution shall, if required by the department,  
2 dispose of indebtedness of the group in the amount in excess of  
3 the limitation of this section within such reasonable time as  
4 shall be fixed by the department.

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

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

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

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

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

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

28 (vi) any credit exposure to a person arising from a  
29 derivative transaction, repurchase agreement, reverse  
30 repurchase agreement, securities lending transaction or

1 securities borrowing transaction between the savings bank and  
2 the person.

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

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

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

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

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

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

20 (vi) obligations secured by documents of title covering:

21 (A) livestock,

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

25 (C) readily marketable frozen or refrigerated  
26 staples for a period of not more than six months from the  
27 date of the document of the title if such property has a  
28 market value of not less than one hundred fifteen percent  
29 of the amount of the obligation secured thereby and is  
30 fully covered by insurance,

1 (vii) obligations of, and obligations guaranteed by:

2 (A) the United States,

3 (B) the Commonwealth of Pennsylvania or a state  
4 where the savings bank lawfully maintains branches, a  
5 political subdivision of the Commonwealth or such state,  
6 a public body of the Commonwealth or such state or a  
7 public body of a political subdivision of the  
8 Commonwealth or such state, or

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

12 (viii) obligations to the extent secured by:

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

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

18 (C) obligations fully guaranteed by the United  
19 States,

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

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

30 (ix) obligations secured by:

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

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

8           (x) investment securities acquired pursuant to section  
9           504;

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

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

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

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

21           (d) Regulation--The department may by regulation not  
22           inconsistent with the provisions of this section and section  
23           1414(c) prescribe definitions of and requirements for  
24           transactions included in or excluded from the indebtedness to  
25           which the fifteen percent limitation of this section applies.

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

29           "Capital accounts"--the aggregate of capital, surplus,  
30           undivided profits, capital securities and reserve for loan

1 losses of the savings bank. Reserve for loan losses shall mean  
2 that portion of a savings bank's earnings set aside as a general  
3 reserve to absorb possible future losses on loans as of the last  
4 complete calendar or fiscal year, carried in an account  
5 captioned "reserve for loan loss" or "reserve for bad debts."

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

12 Section 28. Section 601 of the act, amended May 21, 1980  
13 (P.L.173, No.51), is amended to read:

14 Section 601. Application of Chapter

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

17 (a) a bank, a bank and trust company, a savings bank[, ] and  
18 a private bank [and, to the extent permitted by applicable law,  
19 a national bank located in this state--]for the purpose of all  
20 of the provisions of this chapter, and

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

24 Section 29. Section 605 of the act is amended to read:

25 Section 605. Tentative Trusts

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

28 (i) for an individual or for [two individuals jointly or  
29 for two individuals successively, for the first if he  
30 survives all of the named depositors and for the second if he

1 does not] multiple individuals jointly or successively, or

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

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

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

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

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

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

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



1 Section 902. Authorized Offices

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

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

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

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

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

25 (c) Institutions as agents for affiliates--

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

30 (ii) Notwithstanding any other provision of law, an

1 institution acting as an agent in accordance with paragraph  
2 (i) for an institution affiliate shall not be considered to  
3 be a branch of the affiliate.

4 (iii) An institution may not--

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

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

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

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

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

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

26 Section 31. Section 904 of the act, amended July 6, 1995

27 (P.L.271, No.39), is amended to read:

28 Section 904. Authorization of New Branches

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

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

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

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

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

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

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

25 Section 905. Approval of Branch by Department

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

1 Board].

2 \* \* \*

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

12 \* \* \*

13 Section 33. Section 907(b) and (c) of the act, amended July  
14 23, 1970 (P.L.597, No.199) and November 22, 2000 (P.L.660,  
15 No.89), are amended to read:

16 Section 907. Branches Outside Pennsylvania

17 \* \* \*

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

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

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

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

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

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

1 bank.]

2 Section 35. Section 1004(b)(ii) of the act, amended December  
3 18, 1986 (P.L.1702, No.205), is amended to read:

4 Section 1004. Articles of Incorporation

5 \* \* \*

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

8 \* \* \*

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

12 \* \* \*

13 Section 36. Section 1010(b)(i) of the act, amended April 8,  
14 1982 (P.L.262, No.79), is amended to read:

15 Section 1010. Certificate of Authorization to Do Business

16 \* \* \*

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

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

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

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

30 (C) the proceeds of capital securities, if any,

1           which were considered part of the capital structure of  
2           the institution by the department under section 1007(a)  
3           (vi) in giving its approval of the proposed institution;

4           \* \* \*

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

6 Section 1012. Organization as a Limited Liability Company

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

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

20           Section 38. Section 1102(b) of the act, amended April 8,  
21 1982 (P.L.262, No.79), is amended to read:

22 Section 1102. Minimum Capital

23           \* \* \*

24           (b) New institutions--[The minimum capital of an] An  
25 institution which is incorporated pursuant to this act, or [of a  
26 bank which becomes a bank and trust company pursuant to this  
27 act, or of a stock savings bank which is converted from a mutual  
28 savings bank pursuant to this act, shall depend upon the  
29 population, according to the last United States census, of the  
30 city, incorporated town, borough or township where its principal

1 place of business is located and shall be as follows:

2 Population of Location of	Bank and Trust Company	
3 Principal Place of Business	Bank	or Trust Company
4 Less than 6,000	\$ 50,000	\$150,000
5 6,000 to 50,000	\$100,000	\$200,000
6 More than 50,000	\$200,000	\$300,000]

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

10 Section 39. Section 1202(f)(i) of the act, amended December  
11 18, 1986 (P.L.1702, No.205), is amended to read:

12 Section 1202. Classes of Shares

13 \* \* \*

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

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

26 (A) the name of the institution,

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

30 (C) the aggregate number of shares of such class or



1 series established and designated by:

2 (I) such resolution,

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

5 (III) any other provision of the articles,

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

8 \* \* \*

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

11 Section 1205. Share Certificates

12 \* \* \*

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

20 \* \* \*

21 Section 1302. Cash Dividends

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

1 \* \* \*

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

14 Section 41. Section 1306(b) of the act, amended December 18,  
15 1986 (P.L.1702, No.205), is amended to read:

16 Section 1306. Redemption and Acquisition of Redeemable Shares;

17 Statement of Reduction of Authorized Shares

18 \* \* \*

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

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

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

30 (iii) the aggregate number of shares of each class which

1 the institution has authority to issue after giving effect to  
2 the reduction made by such cancellation, and  
3 (iv) the provisions of the articles of the institution  
4 which are to be changed by reason of the reduction of  
5 authorized shares.

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

14 Section 42. Section 1407(a) of the act, amended July 30,  
15 1975 (P.L.108, No.56), is amended to read:

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

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

29 \* \* \*

30 Section 43. Section 1413(a) of the act, amended May 21, 1980

1 (P.L.173, No.51), is amended to read:

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

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

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

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

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

18 \* \* \*

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

21 [Section 1417. Indemnity and Immunity of Certain Directors

22 (a) Indemnity--

23 (i) The department shall have the power and its duty  
24 shall be to procure, on behalf of the members of the board of  
25 directors of special institutions as defined in section  
26 102(z.1)(i), directors' liability insurance or such other  
27 contract of insurance providing for the indemnification of  
28 these directors against any liability asserted against them  
29 or incurred by them solely in their capacity or arising out  
30 of their status as directors, including actions undertaken in

1 connection with the organization of the special institution.

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

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

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

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

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

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

1 Section 1418. Standard of Care and Justifiable Reliance  
2 Directors and officers of an institution shall be subject to  
3 the provisions of 15 Pa.C.S. § 512 (relating to standard of care  
4 and justifiable reliance) in the performance of their duties.

5 Section 46. Section 1504(a) of the act, amended April 8,  
6 1982 (P.L.262, No.79), is amended to read:

7 Section 1504. Articles of Amendment

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

11 (i) the name of the institution,

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

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

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

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

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

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

1 \* \* \*

2 Section 47. Section 1601 of the act, amended December 18,  
3 1986 (P.L.1702, No.205), is amended to read:

4 Section 1601. Application of Chapter

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

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

11 Section 1602. Authority to Merge or Consolidate

12 (a) Upon compliance with the requirements of this chapter  
13 one or more institutions and one or more national banks, Federal  
14 savings banks and interstate banks, without regard to whether  
15 any such interstate bank maintains branches in this Commonwealth  
16 at the time of a merger or consolidation, may merge or  
17 consolidate into a national bank or Federal savings bank and,  
18 with the approval by the department, may merge with or into an  
19 institution or consolidate into a new institution or merge a  
20 nonbank subsidiary into an institution, provided that the  
21 institution can engage in activities conducted by the subsidiary  
22 as principal, except that a trust company may enter into a  
23 merger or consolidation only with another trust company, a bank  
24 and trust company, a national bank or a Federal savings bank  
25 which has fiduciary powers or a stock savings bank under section  
26 1609.

27 \* \* \*

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

29 Section 1603. Requirements for a Merger or Consolidation

30 The requirements for a merger or consolidation which must be

1 satisfied by the parties thereto are as follows:

2 \* \* \*

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

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

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

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

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

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

18 (vi) in the case of a consolidation, the provisions  
19 required in articles of incorporation of a new institution by  
20 clauses (iii), (iv), (v), (viii) and (ix) of subsection  
21 1004(b) of this act, and

22 (vii) the plan.

23 \* \* \*

24 Section 50. Section 1609(a), (b), (c), (e), (f), (g) and (i)  
25 of the act, amended April 8, 1982 (P.L.262, No.79), December 18,  
26 1986 (P.L.1702, No.205) and June 16, 1994 (P.L.346, No.51), are  
27 amended to read:

28 Section 1609. Mergers, Consolidations and Conversions of  
29 Savings Banks

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



1 (i) upon compliance with the requirements of sections  
2 1602, 1603, 1604, 1605 and 1606, a savings bank may enter  
3 into a merger or consolidation with one or more other savings  
4 banks. In the event the book value of the total assets of the  
5 acquired savings bank is less than one percent in excess of  
6 the book value of the total liabilities, the resulting  
7 institution may maintain as a branch, any office operated by  
8 the acquired institution.

9 (ii) upon compliance with the requirements of this  
10 section and other applicable law, one or more savings banks  
11 and one or more associations may merge into a savings bank  
12 [or into an association] or consolidate into a new savings  
13 bank [or a new association]. The word "association" in this  
14 chapter shall mean an association subject to the Savings  
15 Association Code of 1967.

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

18 (A) one or more savings banks, one or more Federal  
19 savings banks and one or more Federal savings and loan  
20 associations may merge into a savings bank, Federal  
21 savings bank or a Federal savings and loan association or  
22 consolidate into a new savings bank, a new Federal  
23 savings bank or a new Federal savings and loan  
24 association, and

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

30 (C) a business corporation which owns all of the

1 issued and outstanding shares of a savings bank may merge  
2 into such savings bank.

3 (iv) the authority of a savings bank to merge or  
4 consolidate into a Federal savings bank or Federal savings  
5 and loan association shall be subject to the condition that  
6 at the time of the transaction the laws of the United States  
7 shall authorize a Federal savings bank or Federal savings and  
8 loan association to merge or consolidate into a savings bank.

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

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

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

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

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

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

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

13 (ix) upon compliance with the requirements of 12 CFR Pt.  
14 708a (relating to bank conversions and mergers), other  
15 applicable law and this section, a Federal or State credit  
16 union may convert to a mutual savings bank.

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

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

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

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

30 (i) the parties shall adopt a plan stating the method,

1 terms and conditions of the merger, consolidation or  
2 conversion, including the rights under the plan of the  
3 members, depositors and shareholders, if any, of each of the  
4 parties, and any agreement concerning the merger or  
5 consolidation.

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

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

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

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

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

30 (E) in the case of the notice required to be given

1 to the trustees of a savings bank and to the shareholders  
2 of a stock savings bank shall include a copy or summary  
3 of the plan. The department may require such vote of the  
4 members of an association as it deems proper.

5 (iii) any modification of a plan which has been adopted  
6 shall be made by any method provided therein, or in the  
7 absence of such provision by the same vote as that required  
8 for adoption.

9 (iv) if a proposed merger, consolidation or conversion  
10 will result in a savings bank [or an association], an  
11 application for the required approval thereof by the  
12 department shall be made in a manner prescribed by the  
13 department. The department may require notice to be given to  
14 such persons as it designates. There shall also be delivered  
15 to the department:

16 (A) articles of merger, consolidation or conversion,

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

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

23 (D) if the proposed name of the resulting savings  
24 bank [or association] is not identical with the name of  
25 one of the parties to the plan, evidence of reservation  
26 of such name in the Department of State, and

27 (E) if there is any modification of the plan at any  
28 time prior to the approval by the department, an  
29 amendment of the application and, if necessary, of the  
30 articles, signed in the same manner as the originals,

1 setting forth the modification of the plan, the method by  
2 which such modification was adopted and any related  
3 change in the provisions of the articles of merger,  
4 consolidation or conversion.

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

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

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

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

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

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

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

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

29 (vii) in the case of a consolidation, the provisions  
30 required in articles of incorporation of a new savings bank

1 [or association] as the case may be,

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

5 (ix) the plan.

6 \* \* \*

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

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

15 (A) the articles of merger, consolidation or  
16 conversion and supporting items satisfy the requirements  
17 of this act[, and if the Savings Association Code of 1967  
18 is applicable, the requirements of that act are  
19 satisfied],

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

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

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

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

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

6 (2) their prospects,

7 (3) the character of their management,

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

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

12 (ii) within sixty days after receipt of the application,  
13 articles of merger, consolidation or conversion and the  
14 applicable fee payable to the department, or within an  
15 additional period of not more than thirty days an amendment  
16 to the application, the department shall approve or  
17 disapprove the application on the basis of its investigation.  
18 The department shall immediately give to the parties to the  
19 plan written notice of its decision and, in the event of  
20 disapproval, a statement in detail of the reasons for its  
21 decision.

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

24 (i) if the laws of the United States require the  
25 approval of the merger, consolidation or conversion by any  
26 Federal agency, the department shall after its approval  
27 retain the articles of merger, consolidation or conversion  
28 until it receives notice of the decision of such agency. If  
29 such agency shall refuse to give its approval, the department  
30 shall notify the parties to the plan that the department's



1 approval has been rescinded for that reason. If such agency  
2 gives its approval, the Department of Banking shall  
3 immediately deliver the articles of merger, consolidation or  
4 conversion with its written approval to the Department of  
5 State for filing as of a date and time specified by the  
6 Department of Banking and shall notify the parties to the  
7 plan.

8 (ii) if all the taxes, fees and charges required by law  
9 shall have been paid and if the name of the resulting savings  
10 bank [or association] continues to be reserved or is  
11 available on the records of the Department of State, the  
12 receipt of the articles by the Department of State with the  
13 written approval of the Department of Banking shall  
14 constitute filing of the articles of merger, consolidation or  
15 conversion as of the date and time of receipt or as of any  
16 later date and time specified by the Department of Banking.  
17 The Department of State shall issue to the resulting  
18 corporation a certificate of merger, consolidation or  
19 conversion as of the date and time of filing with the  
20 approved articles of merger, consolidation or conversion  
21 attached thereto and shall make and retain a copy of such  
22 certificate and articles.

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

24 (i) as of the filing of the articles of merger,  
25 consolidation or conversion in the Department of State, the  
26 merger, consolidation or conversion shall be effective.

27 (ii) the certificate of merger, consolidation or  
28 conversion shall be conclusive evidence of the performance of  
29 all conditions precedent to the merger, consolidation or  
30 conversion and of the existence or creation of the resulting

1 savings bank [or association], except as against the  
2 Commonwealth.

3 (iii) when a merger, consolidation or conversion becomes  
4 effective, the existence of each party to the plan, except  
5 the resulting savings bank [or association], shall cease as a  
6 separate entity but shall continue in, and the parties to the  
7 plan shall be, a single corporation which shall be the  
8 resulting savings bank [or association] and which shall have  
9 without further act or deed, all the property, rights,  
10 powers, duties and obligations of each party to the plan.

11 (iv) the articles of the resulting savings bank [or  
12 association] shall be, in the case of a merger, the same as  
13 its articles prior to the merger with any change stated in  
14 the articles of merger, or in the case of a consolidation,  
15 the provisions stated in the articles of consolidation.

16 (v) if the resulting corporation shall be a savings bank  
17 it shall engage only in such business and it shall have only  
18 such powers as it would have if it had been originally  
19 incorporated under this act, except that it may engage in any  
20 business and exercise any right that any party to the plan  
21 which was an institution subject to this act could lawfully  
22 exercise or engage in immediately prior to the merger,  
23 consolidation or conversion. [If the resulting corporation  
24 shall be a savings association such association shall have  
25 the authority to engage thereafter only in such business and  
26 exercise only such powers as it would have under original  
27 incorporation under the Savings Association Code of 1967.]

28 (vi) no liability of any party to the plan or of its  
29 trustees, officers, members or directors shall be affected,  
30 nor shall any lien on any property of a party to the plan be

1       impaired, by the merger, consolidation or conversion. Any  
2       claim existing or action pending by or against any party to  
3       the plan may be prosecuted to judgment as if the merger,  
4       consolidation or conversion had not taken place or the  
5       resulting corporation may be substituted in its place.

6       \* \* \*

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

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

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

26      \* \* \*

27      Section 51. Section 1610(g) of the act, added December 18,  
28      1986 (P.L.1702, No.205), is amended to read:

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

1 \* \* \*

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

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

7 Section 1701. Application of Chapter

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

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

13 Section 1704. Articles of Conversion

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

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

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

20 (c) the votes by which the plan of conversion was adopted and  
21 the time, place and notice of each meeting in connection with  
22 such adoption,

23 (d) the names and addresses of the first directors of the  
24 resulting institution,

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

28 (f) the plan of conversion.

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

1 Section 1802. Voluntary Dissolution Prior to Commencement of  
2 Business

3 (a) Articles of dissolution--An institution which has not  
4 transacted any business for which a certificate of authorization  
5 is required under this act may propose to dissolve by a vote of  
6 the holders of two-thirds of its shares and by delivering to the  
7 department articles of dissolution which shall be executed by  
8 two duly authorized officers or shareholders [under the seal of  
9 the institution] and which shall contain:

- 10 (i) the date of incorporation of the institution,  
11 (ii) a statement that it has not transacted any business  
12 for which a certificate of authorization is required under  
13 this act,  
14 (iii) a statement that all liabilities of the  
15 institution have been paid or provided for,  
16 (iv) a statement that all amounts received on account of  
17 capital, surplus and expense fund, less amounts disbursed for  
18 expenses, have been returned to the persons entitled thereto,  
19 and  
20 (v) the number of shares entitled to vote on the  
21 dissolution and the number of shares voted for and against it  
22 respectively.

23 \* \* \*

24 Section 1804. Certificate of Election for Voluntary Dissolution

25 (a) Contents of certificate--Immediately after the adoption  
26 and approval of a plan of dissolution under section 1803 of this  
27 act or, if the plan provides for continuance of the business of  
28 the institution unless an assumption of its liabilities becomes  
29 effective, immediately after such assumption becomes effective,  
30 the institution shall deliver to the department, together with

1 applicable fees payable to the department, a certificate of  
2 election to dissolve which shall be signed by two of its duly  
3 authorized officers [under its seal] and which shall contain:

4 (i) the name of the institution,

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

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

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

15 \* \* \*

16 Section 1806. Articles of Dissolution

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

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

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

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

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

3 \* \* \*

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

6 [CHAPTER 20  
7 PROVISIONS APPLICABLE TO DEPARTMENT OF BANKING]

8 Section 56. Sections 2001 and 2002 of the act, amended July  
9 6, 1995 (P.L.271, No.39), are repealed:

10 [Section 2001. Application of Chapter

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

14 Section 2002. Examinations and Reports

15 (a) Frequency and scope of examinations--The department shall  
16 examine all institutions at least once every two calendar years  
17 and may examine any institution more frequently and at any time  
18 it deems such action necessary or desirable for protection of  
19 depositors, other creditors or shareholders. The examination  
20 shall include a review of the accounts, records and affairs of  
21 the institution, its compliance with law, such other matters as  
22 the department may determine and in the case of a bank and trust  
23 company or a trust company a review of accounts held in a  
24 fiduciary or other representative capacity. In the case of an  
25 interstate bank, the department may accept, in lieu of any  
26 examination required by this section and any report required by  
27 the act of May 15, 1933 (P.L.565, No.111), known as the  
28 "Department of Banking Code," examinations and reports made  
29 pursuant to the banking laws of the jurisdiction under which the  
30 interstate bank exists, or examinations and reports which it

1 accepts under subsection (b) and, in its discretion, may make  
2 such examinations and require such reports of Pennsylvania  
3 operations of the interstate bank as it deems appropriate.

4 (b) Federal agencies--In the case of an institution which is  
5 a member of the Federal Reserve System or in the case of an  
6 institution whose deposits are insured by the Federal Deposit  
7 Insurance Corporation, the department may accept, in lieu of any  
8 examination required by this section and in lieu of any report  
9 required by the Department of Banking Code, examinations and  
10 reports made pursuant to the Federal Reserve Act or the Federal  
11 Deposit Insurance Corporation Act.

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

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

29 Section 57. Section 2003 of the act is repealed:  
30 [Section 2003. Examination of Affiliates and Persons Performing



1 Bank Services

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

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

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

13 (a) Loans and Gifts--Except as provided in subsection (d) of  
14 this section, an institution or any director, trustee, officer,  
15 employe or attorney thereof shall not grant or give to the  
16 Secretary of Banking, any official or employe of the department,  
17 any deputy receiver or any employe of the Secretary of Banking  
18 as receiver, none of whom shall receive, any sum of money or any  
19 property as a gift or loan or otherwise, directly or  
20 indirectly--subject to the penalty provisions of this act. This  
21 subsection shall not apply to loans to employes of the  
22 Department of Banking who function in a clerical or nondecision  
23 making capacity with regard to institutions, including but not  
24 limited to clerks, typists and stenographers.

25 (b) Interest in institutions--The Secretary of Banking, any  
26 official or employe of the department, any deputy receiver or  
27 any employe of the Secretary of Banking as receiver shall not  
28 hold any office or position in, have any direct or indirect  
29 pecuniary interest in, or directly or indirectly own shares or  
30 securities issued by, an institution, except that the Secretary

1 of Banking may continue to own shares or securities issued by an  
2 institution which are owned by him on the date of his  
3 appointment and all shares or securities distributed by the  
4 institution and received by him on account of the shares or  
5 securities so owned--subject to the penalty provisions of this  
6 act.

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

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

23 (i) a loan subject to the provisions of this act secured  
24 by a lien on the home of the Secretary of Banking, an  
25 official or employe of the department, a deputy receiver or  
26 an employe of the Secretary of Banking as receiver, or

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

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

1 [Section 2005. Additional Powers of the Department of Banking

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

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

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

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

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

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

30 Section 60. Sections 2102(a) and 2104 of the act are amended

1 to read:

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

5 (a) Violations of sections 1413, 1416[, ] and 1912 [and 2004  
6 (a)]--A director, trustee, officer, employe or attorney of an  
7 institution who wilfully violates any of the provisions of  
8 sections 1413, 1416[, ] or 1912 [or 2004 (a)] of this act shall  
9 be guilty of a misdemeanor and shall upon conviction thereof be  
10 subject to imprisonment for a period not exceeding one year, or  
11 a fine not exceeding one thousand dollars (\$1,000), or both; and  
12 shall be subject to a further fine of a sum equal to:

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

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

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

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

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

29 \* \* \*

30 Section 2104. Penalties Applicable to Persons Subject to This

1 Act

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

15 [(b) Violations of section 2004 (a)--A violation of the  
16 prohibitions of section 2004 (a) by the Secretary of Banking, an  
17 official or employe of the department, a deputy receiver or an  
18 employe of the Secretary of Banking as receiver shall constitute  
19 sufficient ground for removal from office. In addition, any such  
20 individual wilfully committing such violation shall be guilty of  
21 a misdemeanor and shall upon conviction thereof be subject to  
22 imprisonment for a period not exceeding one year, or a fine not  
23 exceeding one thousand dollars (\$1,000), or both; and shall be  
24 subject to a further fine equal to the amount of money or value  
25 of the property which such individual has directly or indirectly  
26 received in violation of section 2004 (a).]

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