

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL**No. 2368** Session of
2012

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

AS REPORTED FROM COMMITTEE ON COMMERCE, HOUSE OF
REPRESENTATIVES, AS AMENDED, JUNE 25, 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

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

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

55 Section 1. Section 102(h), (p), (q), (z.1) and (bb.1) of the
56 act of November 30, 1965 (P.L.847, No.356), known as the Banking

1 Code of 1965, amended or added July 23, 1970 (P.L.597, No.199),
2 June 16, 1994 (P.L.346, No.51) and July 6, 1995 (P.L.271,
3 No.39), are amended to read:

4 Section 102. Definitions

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

10 * * *

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

16 (i) a temporary agency,

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

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

22 (iv) an automated teller machine,

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

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

27 * * *

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

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

5 * * *

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

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

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

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

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

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

27 * * *

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

30 * * *

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

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

4 * * *

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

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

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

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

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

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

26 * * *

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

29 Section 106. Corporations Authorized to Act as Fiduciary

30 * * *

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

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

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

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

30 (c) National banks and Federal savings banks--A national

1 bank or Federal savings bank located in this Commonwealth which
2 has authority under the laws of the United States to act as
3 fiduciary may act as fiduciary in this Commonwealth.

4 * * *

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

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

17 * * *

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

21 * * *

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

1 its office or offices so affected.

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

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

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

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

23 * * *

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

27 * * *

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

1 * * *

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

5 * * *

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

8 [Section 112.1. Prohibition Against Certain Acquisitions

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

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

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

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

24 Section 113. Legal Holidays

25 * * *

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

29 Section 114. Limitation on Deposit of Commonwealth Funds

30 The Treasury Department shall not deposit any Commonwealth

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

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

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

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

17 * * *

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

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

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

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

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

18 * * *

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

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

22 * * *

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

1 the valid execution, assignment or endorsement by an institution
2 of any instrument in writing.]

3 Section 303. General Lending Powers

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

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

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

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

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

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

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

28 (iii) the customer is required to pay the institution
29 the amounts of all purchases and loans charged to the
30 customer's account under the plan but has the privilege of

1 paying the amounts outstanding from time to time in full or
2 in installments, and

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

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

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

17 (b) General rule--

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

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

1 unincorporated association, whether as closed-end credit or
2 open-end credit.

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

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

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

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

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

28 (iv) the method of determining balances of unpaid
29 indebtedness to which periodic rates of interest are
30 applicable which, in the case of an open-end credit plan,

1 may, if the agreement governing the plan so provides, include
2 the amount of any interest and other charges, including
3 delinquency charges, which have accrued in the account,

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

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

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

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

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

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

18 (i) the agreement so provides,

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

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

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

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

17 (g) Prepayment--

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

12 (n) Real estate loans--

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

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

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

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

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

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

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

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

30 (A) a loan guaranteed at least to the extent of

1 twenty percent of the loan, or for which a written
2 commitment for the guarantee has been issued, by the
3 Veterans Administration pursuant to 38 U.S.C. (relating
4 to veterans' benefits),

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

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

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

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

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

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

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

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

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

1 period of five years from the date of the loan
2 and there is a certificate of reliance setting forth the
3 applicable facts, or

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

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

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

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

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

17 Section 304. Direct Leasing of Personal Property

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

26 Section 11. Section 306(b) and (e) of the act, amended July
27 6, 1984 (P.L.621, No.128), are amended to read:

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

30 * * *

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

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

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

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

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

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

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

30 * * *

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

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

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

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

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

1 hundred dollars (\$100) per annum computed on the original
2 principal amount for the period of the loan. If such loan is one
3 of a series of loans under an agreement ("revolving credit
4 plan") providing a maximum outstanding balance of all such loans
5 at any time, the institution may make a charge at a rate not in
6 excess of one percent per month on the actual outstanding
7 balance of the loan.

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

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

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

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

28 (d) Maximum amount--The original principal amount of any
29 loan, and the total of the principal balances of all loans to
30 one borrower outstanding at any time, for which a charge is made

1 pursuant to the authorization of this section shall not be in
2 excess of ten thousand dollars (\$10,000). For any portion of one
3 or more loans to one borrower in excess of such amount, the
4 charge which the institution may make shall be governed by law
5 other than this section.

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

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

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

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

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

1 amount of the installment,

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

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

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

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

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

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

28 Section 13. Section 310 of the act, amended May 21, 1980
29 (P.L.173, No.51), July 9, 1992 (P.L.430, No.90) and November 22,
30 2000 (P.L.660, No.89), is repealed:

1 [Section 310. Real Estate Loans

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

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

10 (A) ten years, if unamortized, or

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

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

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

30 (b) Additional term for combination of construction and

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

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

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

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

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

28 (iii) the value of the real estate shall be determined
29 either by a real estate appraiser qualified in the state
30 where the real estate is located who shall inspect the real

1 estate and state its value to the best of his judgment in a
2 written report signed by him which must be preserved in the
3 records of the institution or in the alternative by an
4 appraisal signed by two reputable persons who shall:

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

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

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

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

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

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

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

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

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

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

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

18 (v) an investment security acquired pursuant to section
19 307; or

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

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

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

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

1 loans, or

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

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

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

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

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

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

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

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

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

29 (f.2) Alternative payment terms--An institution may permit
30 exceptions to the requirements as to time and amount of payments

1 applicable under subsection (a)(i) as to:

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

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

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

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

24 [Section 316. Authorizing Certain Loans for Commercial,
25 Business, Professional, Agricultural or Nonprofit
26 Purposes Including Revolving Credit 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 five dollars (\$5) 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 three-fourths of one percent per month on the actual
6 outstanding balance of the loan.

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

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

17 (d) 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 the section and of section 309,
21 shall not be in excess of fifty thousand dollars (\$50,000). For
22 any portion of one or more loans to one borrower in excess of
23 such amount, the charge which the institution may make shall be
24 governed by law other than this section.

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

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

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

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

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

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

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

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

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

30 [Section 317. Authorizing Monthly Interest Loans for

1 Individuals, Partnerships and Other Unincorporated
2 Entities

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

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

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

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

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

30 (ii) actual expenditures, including reasonable

1 attorney's fees, for proceedings to collect the loan.]

2 Section 16. Section 318 of the act, added May 21, 1980

3 (P.L.173, No.51), is repealed:

4 [Section 318. Alternate Basis for Interest Charges by

5 Institutions

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

15 Section 17. Sections 319 and 320 of the act, added April 8,
16 1982 (P.L.262, No.79), are repealed:

17 [Section 319. Charging Interest at Rates Permitted Competing

18 Lenders

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

30 (iii) the customer is required to pay the institution

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

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

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

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

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

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

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

29 (iii) which are not subject to a maximum rate of
30 interest or finance charge or as to which the pleading of

1 usury as a defense is prohibited pursuant to Federal or State
2 law.

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

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

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

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

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

1 the nearer quarter of one percent, determined on the first
2 day of each calendar quarter, plus ten percent,

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

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

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

1 pursuant to the agreement, and

2 (vii) insurance coverages and premiums therefor.

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

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

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

23 (i) the agreement so provides,

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

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

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

22 (g) Prepayment--

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

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

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

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

30 (A) one month and fifteen days when the regular

1 payment interval is a month,

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

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

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

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

29 (i) the agreement governing the extension of credit
30 conspicuously provides that the extension of credit is made

1 by the institution to the buyer and is subject to the
2 provisions of this section, and

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

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

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

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

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

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

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

20 Section 401. Application of Chapter

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

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

1 read:

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

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

7 * * *

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

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

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

29 * * *

30 Section 22. Section 408 of the act, added December 18, 1984

1 (P.L.1087, No.217), is amended to read:

2 Section 408. Transfer of Fiduciary Accounts

3 [(a) Definitions--The definitions set forth in section
4 115(a) shall also apply to this section.]

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

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

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

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

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

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

25 Section 23. Section 504(a.1) of the act, added December 21,
26 1988 (P.L.1416, No.173), is amended to read:

27 Section 504. Investments

28 * * *

29 [(a.1) Investments authorized by Savings Association Code--
30 Notwithstanding any other provision of this act, a savings bank

1 may make such investments as may be authorized for a savings
2 association by section 922 of the act of December 14, 1967
3 (P.L.746, No.345), known as the Savings Association Code of
4 1967.]

5 * * *

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

10 [Section 505. Real Estate Loans

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

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

19 (A) ten years, if unamortized; or

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

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

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

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

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

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

29 (i) the loan shall be evidenced by a bond, note or other
30 obligation and the lien securing such loan shall be obtained

1 by a mortgage, deed of trust or judgment;

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

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

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

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

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

1 delinquency on a prior payment.

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

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

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

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

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

22 (v) an investment security, or

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

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

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

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

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

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

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

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

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

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

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

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

1 payments or to the final payment of the loan; or

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

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

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

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

1 No.167), is amended to read:

2 Section 506. Lending Powers; Direct Leasing of Personal
3 Property

4 (a) A savings bank may[:

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

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

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

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

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

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

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

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

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

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

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

1 made without such insurance shall also conform to rules
2 and regulations which may be prescribed from time to time
3 by the department,

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

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

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

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

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

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

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

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

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

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

1 rentals which in the aggregate will exceed the total
2 expenditures by the savings bank for or in connection with
3 the acquisition, ownership, maintenance and protection of the
4 property.

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

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

13 [Section 513. Conditional Powers of Savings Banks

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

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

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

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

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

21 Section 515. Pledges for Deposits

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

24 (i) public funds,

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

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

30 (iv) funds held by the Secretary of Banking as receiver

1 or by the Insurance Commissioner as statutory liquidator,
2 (v) funds that are required to be secured by law or by
3 an order of a court,

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

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

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

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

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

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

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

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

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

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

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

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

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

1 repurchase agreement, securities lending transaction or
2 securities borrowing transaction between the savings bank and
3 the person.

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

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

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

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

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

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

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

22 (A) livestock,

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

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

1 fully covered by insurance,

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

3 (A) the United States,

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

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

13 (viii) obligations to the extent secured by:

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

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

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

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

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

1 (ix) obligations secured by:

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

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

9 (x) investment securities acquired pursuant to section
10 504;

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

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

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

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

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

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

30 "Capital accounts"--the aggregate of capital, surplus,

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

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

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

15 Section 601. Application of Chapter

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

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

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

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

26 Section 605. Tentative Trusts

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

29 (i) for an individual or for [two individuals jointly or
30 for two individuals successively, for the first if he

1 survives all of the named depositors and for the second if he
2 does not] multiple individuals jointly or successively, or

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

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

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

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

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

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

30 Section 30. Section 902 of the act, amended July 2, 1992

1 (P.L.364, No.77), is amended to read:

2 Section 902. Authorized Offices

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

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

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

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

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

26 (c) Institutions as agents for affiliates--

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

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

5 (iii) An institution may not--

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

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

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

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

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

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

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

29 Section 904. Authorization of New Branches

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

1 (i) branches maintained on the date of these amendments;
2 (ii) branches acquired from a predecessor in a merger,
3 consolidation or conversion; and

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

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

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

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

26 Section 905. Approval of Branch by Department

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

1 may hold hearings before the department [or before the Banking
2 Board].

3 * * *

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

13 * * *

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

17 Section 907. Branches Outside Pennsylvania

18 * * *

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

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

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

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

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

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

1 place of business of the acquiring institution or national
2 bank.]

3 Section 35. Section 1004(b)(ii) of the act, amended December
4 18, 1986 (P.L.1702, No.205), is amended to read:

5 Section 1004. Articles of Incorporation

6 * * *

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

9 * * *

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

13 * * *

14 Section 36. Section 1010(b)(i) of the act, amended April 8,
15 1982 (P.L.262, No.79), is amended to read:

16 Section 1010. Certificate of Authorization to Do Business

17 * * *

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

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

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

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

1 (C) the proceeds of capital securities, if any,
2 which were considered part of the capital structure of
3 the institution by the department under section 1007(a)
4 (vi) in giving its approval of the proposed institution;

5 * * *

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

7 Section 1012. Organization as a Limited Liability Company

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

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

21 Section 38. Section 1102(b) of the act, amended April 8,
22 1982 (P.L.262, No.79), is amended to read:

23 Section 1102. Minimum Capital

24 * * *

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

1 city, incorporated town, borough or township where its principal
2 place of business is located and shall be as follows:

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

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

11 Section 39. Section 1202(f)(i) of the act, amended December
12 18, 1986 (P.L.1702, No.205), is amended to read:

13 Section 1202. Classes of Shares

14 * * *

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

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

27 (A) the name of the institution,

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

1 (C) the aggregate number of shares of such class or
2 series established and designated by:
3 (I) such resolution,
4 (II) all prior statements, if any, filed under
5 this act with respect thereto, and
6 (III) any other provision of the articles,
7 (D) the date and manner of the adoption of such
8 resolution, and

9 * * *

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

12 Section 1205. Share Certificates

13 * * *

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

21 * * *

22 Section 1302. Cash Dividends

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

1 may be paid in cash or property other than its own shares.

2 * * *

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

15 Section 41. Section 1306(b) of the act, amended December 18,
16 1986 (P.L.1702, No.205), is amended to read:

17 Section 1306. Redemption and Acquisition of Redeemable Shares;

18 Statement of Reduction of Authorized Shares

19 * * *

20 (b) Shares subject to redemption which are redeemed or
21 otherwise acquired shall be canceled and shall not be reissued.

22 Immediately upon the redemption or other acquisition, the
23 institution shall deliver to the department a statement of
24 reduction of authorized shares which shall be signed by two duly
25 authorized officers [under its seal] and shall set forth:

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

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

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

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

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

15 SECTION 41.1. SECTION 1403 OF THE ACT, AMENDED APRIL 8, 1982 ←
16 (P.L.262, NO.79), DECEMBER 21, 1988 (P.L.1416, NO.173) AND JULY
17 6, 1995 (P.L.271, NO.39), IS AMENDED TO READ:

18 SECTION 1403. NUMBER, QUALIFICATIONS AND ELIGIBILITY OF
19 DIRECTORS OR TRUSTEES

20 (A) NUMBER--THE BY-LAWS MAY FIX THE NUMBER OF TRUSTEES OF A
21 SAVINGS BANK AT NOT LESS THAN FIVE. THE BY-LAWS OF ANY OTHER
22 INSTITUTION MAY FIX THE NUMBER OF DIRECTORS AT NOT LESS THAN
23 FIVE OR MORE THAN TWENTY-FIVE AND MAY PROVIDE THAT THE BOARD
24 MAY, WITHIN SUCH LIMITATION, INCREASE THE NUMBER OF DIRECTORS BY
25 NOT MORE THAN TWO IN ANY ONE YEAR.

26 (B) QUALIFICATIONS--EACH DIRECTOR OR TRUSTEE SHALL BE A
27 CITIZEN OF THE UNITED STATES EXCEPT THAT THE DEPARTMENT MAY
28 WAIVE THE REQUIREMENT OF CITIZENSHIP FOR ONE OR MORE DIRECTORS
29 OR TRUSTEES BY WRITTEN APPROVAL IMPOSING ANY CONDITIONS WHICH IT
30 MAY DEEM APPROPRIATE, INCLUDING, BUT NOT LIMITED TO, CONSENT TO

1 SERVICE OF PROCESS.

2 (C) INELIGIBILITY--NO INDIVIDUAL MAY BE A DIRECTOR OR
3 TRUSTEE WHO IS AT THE SAME TIME:

4 (I) A JUDGE OF A COURT OF RECORD IN THIS COMMONWEALTH,
5 EXCEPT A TRUSTEE OF A SAVINGS BANK, OR A PERSON LAWFULLY
6 SERVING AS DIRECTOR OF AN INSTITUTION AT THE TIME HE BECOMES
7 JUDGE, OR A DIRECTOR OF A RESULTING INSTITUTION WHO WAS
8 LAWFULLY SERVING AS DIRECTOR OF A PARTY TO A MERGER,
9 CONSOLIDATION, OR CONVERSION,

10 (II) THE HOLDER OF AN OFFICE IN THE DEPARTMENT OF
11 BANKING, THE TREASURY DEPARTMENT[, THE AUDITOR GENERAL'S
12 DEPARTMENT] OR THE DEPARTMENT OF REVENUE OF THIS
13 COMMONWEALTH, [OR]

14 (III) IN THE CASE OF A TRUSTEE OF A SAVINGS BANK, AN
15 OFFICER, EMPLOYE OR TRUSTEE OF ANOTHER SAVINGS BANK[.]_

16 (IV) AN AUDITOR CONDUCTING ANY AUDIT OF THE INSTITUTION
17 PROVIDED FOR IN SECTION 1407 OR OTHERWISE UNDER THE LAWS OF
18 THIS COMMONWEALTH, OR

19 (V) AN AUDITOR OR EXAMINER WITH THE OFFICE OF
20 COMPTROLLER OF THE CURRENCY, FEDERAL DEPOSIT INSURANCE
21 CORPORATION, CONSUMER FINANCIAL PROTECTION BUREAU, OR A
22 FEDERAL RESERVE BANK, WHO HAS RESPONSIBILITY FOR ANY SAFETY
23 AND SOUNDNESS EXAMINATION, BANK SECRECY ACT EXAMINATION OR
24 CONSUMER COMPLIANCE EXAMINATION OF ANY INSTITUTION SUBJECT TO
25 THIS ACT.

26 (D) AUTHORIZATION--SUBJECT TO THE PROVISIONS OF THIS ACT:

27 (I) NO MORE THAN TWO TRUSTEES OF A SAVINGS BANK MAY
28 SERVE AT THE SAME TIME AS DIRECTORS OF A TRUST COMPANY WHICH
29 DOES NOT MAKE REAL ESTATE MORTGAGE LOANS AND DOES NOT ACCEPT
30 SAVINGS DEPOSITS FROM PERSONS.

1 (II) NO MORE THAN TWO DIRECTORS OF A TRUST COMPANY WHICH
2 DOES NOT MAKE REAL ESTATE MORTGAGE LOANS AND DOES NOT ACCEPT
3 SAVINGS DEPOSITS FROM PERSONS MAY SERVE AT THE SAME TIME AS
4 TRUSTEES OF A SAVINGS BANK.

5 Section 42. Section 1407(a) of the act, amended July 30,
6 1975 (P.L.108, No.56), is amended to read:

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

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

20 * * *

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

23 Section 1413. Prohibitions Applicable to Directors, Trustees,
24 Officers, Employees and Attorneys

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

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

30 [(ii) overdraw his deposit account in the institution,

1 except in accordance with an automatic system for transfer of
2 funds from another account or a written preauthorized
3 interest-bearing extension of credit that specifies a method
4 of repayment, or]

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

9 * * *

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

12 [Section 1417. Indemnity and Immunity of Certain Directors

13 (a) Indemnity--

14 (i) The department shall have the power and its duty
15 shall be to procure, on behalf of the members of the board of
16 directors of special institutions as defined in section
17 102(z.1)(i), directors' liability insurance or such other
18 contract of insurance providing for the indemnification of
19 these directors against any liability asserted against them
20 or incurred by them solely in their capacity or arising out
21 of their status as directors, including actions undertaken in
22 connection with the organization of the special institution.

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

1 directors, including actions undertaken in connection with
2 the organization of the special institution.

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

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

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

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

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

22 Section 1418. Standard of Care and Justifiable Reliance

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

26 Section 46. Section 1504(a) of the act, amended April 8,
27 1982 (P.L.262, No.79), is amended to read:

28 Section 1504. Articles of Amendment

29 (a) Upon the adoption of an amendment, articles of amendment
30 shall be signed by two duly authorized officers of the

1 institution [under its seal] and shall contain:

2 (i) the name of the institution,

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

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

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

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

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

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

22 * * *

23 Section 47. Section 1601 of the act, amended December 18,
24 1986 (P.L.1702, No.205), is amended to read:

25 Section 1601. Application of Chapter

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

30 Section 48. Section 1602(a) of the act, amended July 6, 1995

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

2 Section 1602. Authority to Merge or Consolidate

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

18 * * *

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

20 Section 1603. Requirements for a Merger or Consolidation

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

23 * * *

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

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

30 (ii) the location and post office address of the

1 principal place of business of each,

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

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

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

9 (vi) in the case of a consolidation, the provisions
10 required in articles of incorporation of a new institution by
11 clauses (iii), (iv), (v), (viii) and (ix) of subsection
12 1004(b) of this act, and

13 (vii) the plan.

14 * * *

15 Section 50. Section 1609(a), (b), (c), (e), (f), (g) and (i)
16 of the act, amended April 8, 1982 (P.L.262, No.79), December 18,
17 1986 (P.L.1702, No.205) and June 16, 1994 (P.L.346, No.51), are
18 amended to read:

19 Section 1609. Mergers, Consolidations and Conversions of
20 Savings Banks

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

22 (i) upon compliance with the requirements of sections
23 1602, 1603, 1604, 1605 and 1606, a savings bank may enter
24 into a merger or consolidation with one or more other savings
25 banks. In the event the book value of the total assets of the
26 acquired savings bank is less than one percent in excess of
27 the book value of the total liabilities, the resulting
28 institution may maintain as a branch, any office operated by
29 the acquired institution.

30 (ii) upon compliance with the requirements of this

1 section and other applicable law, one or more savings banks
2 and one or more associations may merge into a savings bank
3 [or into an association] or consolidate into a new savings
4 bank [or a new association]. The word "association" in this
5 chapter shall mean an association subject to the Savings
6 Association Code of 1967.

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

9 (A) one or more savings banks, one or more Federal
10 savings banks and one or more Federal savings and loan
11 associations may merge into a savings bank, Federal
12 savings bank or a Federal savings and loan association or
13 consolidate into a new savings bank, a new Federal
14 savings bank or a new Federal savings and loan
15 association, and

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

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

24 (iv) the authority of a savings bank to merge or
25 consolidate into a Federal savings bank or Federal savings
26 and loan association shall be subject to the condition that
27 at the time of the transaction the laws of the United States
28 shall authorize a Federal savings bank or Federal savings and
29 loan association to merge or consolidate into a savings bank.

30 (v) upon compliance with the requirements of this

1 section and other applicable law,

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

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

10 (C) an association may convert to a savings bank.

11 [An association whose deposits were insured by the
12 Pennsylvania Savings Association Insurance Corporation
13 prior to conversion may maintain all existing branches
14 operating at the time application for conversion is made
15 if the application is made within ninety days of the
16 effective date of this subclause.]

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

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

30 (viii) all mergers, consolidations and conversions in

1 which the resulting corporation is a savings bank [or an
2 association] shall be subject to the approval of the
3 department.

4 (ix) upon compliance with the requirements of 12 CFR Pt.
5 708a (relating to bank conversions and mergers), other
6 applicable law and this section, a Federal or State credit
7 union may convert to a mutual savings bank.

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

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

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

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

21 (i) the parties shall adopt a plan stating the method,
22 terms and conditions of the merger, consolidation or
23 conversion, including the rights under the plan of the
24 members, depositors and shareholders, if any, of each of the
25 parties, and any agreement concerning the merger or
26 consolidation.

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

1 affirmative vote,

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

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

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

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

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

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

30 (iv) if a proposed merger, consolidation or conversion

1 will result in a savings bank [or an association], an
2 application for the required approval thereof by the
3 department shall be made in a manner prescribed by the
4 department. The department may require notice to be given to
5 such persons as it designates. There shall also be delivered
6 to the department:

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

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

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

14 (D) if the proposed name of the resulting savings
15 bank [or association] is not identical with the name of
16 one of the parties to the plan, evidence of reservation
17 of such name in the Department of State, and

18 (E) if there is any modification of the plan at any
19 time prior to the approval by the department, an
20 amendment of the application and, if necessary, of the
21 articles, signed in the same manner as the originals,
22 setting forth the modification of the plan, the method by
23 which such modification was adopted and any related
24 change in the provisions of the articles of merger,
25 consolidation or conversion.

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

29 (c) Articles of merger, consolidation or conversion--The
30 articles of a merger, consolidation or conversion under clauses

1 (ii), (iii), (v), (vi) [or (vii)], (vii), (ix) or (x) of
2 subsection (a) shall be signed by two duly authorized officers
3 of each party to the plan [under their respective seals] and
4 shall contain:

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

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

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

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

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

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

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

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

26 (ix) the plan.

27 * * *

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

30 (i) upon receipt of an application for approval of a

1 merger, consolidation or conversion under clauses (ii),
2 (iii), (v), (vi) [or (vii)], (vii), (ix) or (x) of subsection
3 (a) and of the supporting items required by clause (iv) of
4 subsection (b), the department shall conduct such
5 investigation as it may deem necessary to ascertain whether:

6 (A) the articles of merger, consolidation or
7 conversion and supporting items satisfy the requirements
8 of this act[, and if the Savings Association Code of 1967
9 is applicable, the requirements of that act are
10 satisfied],

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

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

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

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

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

27 (2) their prospects,

28 (3) the character of their management,

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

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

3 (ii) within sixty days after receipt of the application,
4 articles of merger, consolidation or conversion and the
5 applicable fee payable to the department, or within an
6 additional period of not more than thirty days an amendment
7 to the application, the department shall approve or
8 disapprove the application on the basis of its investigation.
9 The department shall immediately give to the parties to the
10 plan written notice of its decision and, in the event of
11 disapproval, a statement in detail of the reasons for its
12 decision.

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

15 (i) if the laws of the United States require the
16 approval of the merger, consolidation or conversion by any
17 Federal agency, the department shall after its approval
18 retain the articles of merger, consolidation or conversion
19 until it receives notice of the decision of such agency. If
20 such agency shall refuse to give its approval, the department
21 shall notify the parties to the plan that the department's
22 approval has been rescinded for that reason. If such agency
23 gives its approval, the Department of Banking shall
24 immediately deliver the articles of merger, consolidation or
25 conversion with its written approval to the Department of
26 State for filing as of a date and time specified by the
27 Department of Banking and shall notify the parties to the
28 plan.

29 (ii) if all the taxes, fees and charges required by law
30 shall have been paid and if the name of the resulting savings

1 bank [or association] continues to be reserved or is
2 available on the records of the Department of State, the
3 receipt of the articles by the Department of State with the
4 written approval of the Department of Banking shall
5 constitute filing of the articles of merger, consolidation or
6 conversion as of the date and time of receipt or as of any
7 later date and time specified by the Department of Banking.
8 The Department of State shall issue to the resulting
9 corporation a certificate of merger, consolidation or
10 conversion as of the date and time of filing with the
11 approved articles of merger, consolidation or conversion
12 attached thereto and shall make and retain a copy of such
13 certificate and articles.

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

15 (i) as of the filing of the articles of merger,
16 consolidation or conversion in the Department of State, the
17 merger, consolidation or conversion shall be effective.

18 (ii) the certificate of merger, consolidation or
19 conversion shall be conclusive evidence of the performance of
20 all conditions precedent to the merger, consolidation or
21 conversion and of the existence or creation of the resulting
22 savings bank [or association], except as against the
23 Commonwealth.

24 (iii) when a merger, consolidation or conversion becomes
25 effective, the existence of each party to the plan, except
26 the resulting savings bank [or association], shall cease as a
27 separate entity but shall continue in, and the parties to the
28 plan shall be, a single corporation which shall be the
29 resulting savings bank [or association] and which shall have
30 without further act or deed, all the property, rights,

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

2 (iv) the articles of the resulting savings bank [or
3 association] shall be, in the case of a merger, the same as
4 its articles prior to the merger with any change stated in
5 the articles of merger, or in the case of a consolidation,
6 the provisions stated in the articles of consolidation.

7 (v) if the resulting corporation shall be a savings bank
8 it shall engage only in such business and it shall have only
9 such powers as it would have if it had been originally
10 incorporated under this act, except that it may engage in any
11 business and exercise any right that any party to the plan
12 which was an institution subject to this act could lawfully
13 exercise or engage in immediately prior to the merger,
14 consolidation or conversion. [If the resulting corporation
15 shall be a savings association such association shall have
16 the authority to engage thereafter only in such business and
17 exercise only such powers as it would have under original
18 incorporation under the Savings Association Code of 1967.]

19 (vi) no liability of any party to the plan or of its
20 trustees, officers, members or directors shall be affected,
21 nor shall any lien on any property of a party to the plan be
22 impaired, by the merger, consolidation or conversion. Any
23 claim existing or action pending by or against any party to
24 the plan may be prosecuted to judgment as if the merger,
25 consolidation or conversion had not taken place or the
26 resulting corporation may be substituted in its place.

27 * * *

28 [(i) Review of approval of a merger, consolidation or
29 conversion that results in a stock savings bank--The
30 department's approval of a merger, consolidation or conversion

1 that results in a stock savings bank shall not be reviewable
2 except by an appeal to the Commonwealth Court filed within
3 twenty days after notice of the approval appears in the
4 Pennsylvania Bulletin. In any such appeal, the department's
5 determination that the plan adequately protects the interests of
6 depositors of a mutual savings bank which is a party to the plan
7 shall be conclusive if:

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

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

17 * * *

18 Section 51. Section 1610(g) of the act, added December 18,
19 1986 (P.L.1702, No.205), is amended to read:

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

22 * * *

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

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

28 Section 1701. Application of Chapter

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

1 and a trust company.

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

4 Section 1704. Articles of Conversion

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

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

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

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

14 (d) the names and addresses of the first directors of the
15 resulting institution,

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

19 (f) the plan of conversion.

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

22 Section 1802. Voluntary Dissolution Prior to Commencement of
23 Business

24 (a) Articles of dissolution--An institution which has not
25 transacted any business for which a certificate of authorization
26 is required under this act may propose to dissolve by a vote of
27 the holders of two-thirds of its shares and by delivering to the
28 department articles of dissolution which shall be executed by
29 two duly authorized officers or shareholders [under the seal of
30 the institution] and which shall contain:

- 1 (i) the date of incorporation of the institution,
2 (ii) a statement that it has not transacted any business
3 for which a certificate of authorization is required under
4 this act,
5 (iii) a statement that all liabilities of the
6 institution have been paid or provided for,
7 (iv) a statement that all amounts received on account of
8 capital, surplus and expense fund, less amounts disbursed for
9 expenses, have been returned to the persons entitled thereto,
10 and
11 (v) the number of shares entitled to vote on the
12 dissolution and the number of shares voted for and against it
13 respectively.

14 * * *

15 Section 1804. Certificate of Election for Voluntary Dissolution

16 (a) Contents of certificate--Immediately after the adoption
17 and approval of a plan of dissolution under section 1803 of this
18 act or, if the plan provides for continuance of the business of
19 the institution unless an assumption of its liabilities becomes
20 effective, immediately after such assumption becomes effective,
21 the institution shall deliver to the department, together with
22 applicable fees payable to the department, a certificate of
23 election to dissolve which shall be signed by two of its duly
24 authorized officers [under its seal] and which shall contain:

- 25 (i) the name of the institution,
26 (ii) the location and post office address of its
27 principal place of business,
28 (iii) the name and address of its officers and
29 directors, and
30 (iv) the number of shares entitled to vote on the plan

1 of dissolution and the number of shares voted for and against
2 the plan, respectively, and, if the shares of any class are
3 entitled to vote as a class, the number of shares of such
4 class and the number of shares of all other classes voted for
5 or against the plan, respectively.

6 * * *

7 Section 1806. Articles of Dissolution

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

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

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

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

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

24 * * *

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

27 [CHAPTER 20

28 PROVISIONS APPLICABLE TO DEPARTMENT OF BANKING]

29 Section 56. Sections 2001 and 2002 of the act, amended July
30 6, 1995 (P.L.271, No.39), are repealed:

1 [Section 2001. Application of Chapter

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

5 Section 2002. Examinations and Reports

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

25 (b) Federal agencies--In the case of an institution which is
26 a member of the Federal Reserve System or in the case of an
27 institution whose deposits are insured by the Federal Deposit
28 Insurance Corporation, the department may accept, in lieu of any
29 examination required by this section and in lieu of any report
30 required by the Department of Banking Code, examinations and

1 reports made pursuant to the Federal Reserve Act or the Federal
2 Deposit Insurance Corporation Act.

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

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

20 Section 57. Section 2003 of the act is repealed:

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

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

30 Section 58. Section 2004 of the act, amended April 8, 1982

1 (P.L.262, No.79), is repealed:

2 [Section 2004. Relationship of Institutions and Their Personnel
3 with Officials and Employees of Department

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

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

28 (c) Disclosure of interest of Secretary of Banking--In the
29 event of such ownership of shares or securities by the Secretary
30 of Banking, he shall disclose the ownership, amount and date of

1 acquisition of such shares or securities in writing to the
2 Secretary of the Commonwealth immediately after his appointment
3 and shall not during his term of office participate in any
4 decision or take any action concerning an institution in which
5 he owns such shares or securities other than actions or
6 decisions generally applicable to institutions or classes of
7 institutions. In the event of disqualification of the Secretary
8 of Banking from participation in any decision or action for such
9 reason, all authority vested in him by law shall for the purpose
10 of such decision or action be exercised by the senior Deputy
11 Secretary of Banking.

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

14 (i) a loan subject to the provisions of this act secured
15 by a lien on the home of the Secretary of Banking, an
16 official or employe of the department, a deputy receiver or
17 an employe of the Secretary of Banking as receiver, or

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

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

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

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

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

29 (ii) To exercise the power to suspend from his office or
30 position an officer, employe, director, trustee or attorney

1 of an institution if the Department of Banking serves written
2 notice under section 501 of the Department of Banking Code to
3 an institution, its officers, employe, director, trustee or
4 attorney of the department's intention to issue an order
5 under such clause. The department may suspend such party from
6 office or prohibit such party from further participation in
7 any manner in the conduct of the affairs of the institution
8 if the department:

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

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

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

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

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

26 (a) Violations of sections 1413, 1416[,] and 1912 [and 2004
27 (a)]--A director, trustee, officer, employe or attorney of an
28 institution who wilfully violates any of the provisions of
29 sections 1413, 1416[,] or 1912 [or 2004 (a)] of this act shall
30 be guilty of a misdemeanor and shall upon conviction thereof be

1 subject to imprisonment for a period not exceeding one year, or
2 a fine not exceeding one thousand dollars (\$1,000), or both; and
3 shall be subject to a further fine of a sum equal to:

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

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

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

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

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

20 * * *

21 Section 2104. Penalties Applicable to Persons Subject to This
22 Act

23 (a) Violations of sections 105, 106--Any person who wilfully
24 engages in the business of receiving deposits or money for
25 transmission, or who wilfully establishes a place of business
26 for such purpose, in violation of section 105 and any person
27 whom such person represents, and any corporation which wilfully
28 acts in a fiduciary capacity in violation of section 106, shall
29 be guilty of a [misdemeanor] felony and shall upon conviction
30 thereof be subject, in the case of an individual, to

1 imprisonment for a period not exceeding [one year] two years, or
2 a fine not exceeding [one thousand dollars (\$1,000)] ten
3 thousand dollars (\$10,000) per violation, or both, and, in the
4 case of any other person, to a fine not exceeding [five thousand
5 dollars (\$5,000)] five hundred thousand dollars (\$500,000).

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

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