

[PRESIDENTIAL DECREE NO. 113, January 29, 1973]

AMENDING FURTHER CERTAIN SECTIONS OF REPUBLIC ACT NUMBERED THREE THOUSAND SEVEN HUNDRED SEVENTY-NINE, AS AMENDED, OTHERWISE KNOWN AS THE "SAVINGS AND LOAN ASSOCIATIONS ACT"

WHEREAS, there were pending before Congress prior to the promulgation of Proclamation No. 1081, dated September 21, 1972, certain bills proposing amendments to Republic Act No. 3779, entitled "Savings and Loan Associations Act";

WHEREAS, the recommendations resulting from an extensive survey and study of the financial system undertaken for the purposes of assessing its adequacy in Philippine economic growth, and of facilitating the savings-in vestment process in development have been accepted, with modifications by monetary authorities; and

WHEREAS, savings and loan associations have proved to be a very effective instrument in encouraging the thrift-savings habit especially of small savers and in providing additional credit assistance to small scale entrepreneurs, home builders and consumers;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers in me vested by the Constitution as Commander-in-Chief of the Armed Forces of the Philippines, and pursuant to Proclamation No. 1081, dated September 21, 1972, and General Order No. 1, dated September 22, 1972, as amended, and in order to effect the desired changes and reforms in the social, economic, and political structure of our society, do hereby order and decree the amendment of Republic Act No. 3779, as amended, as follows:

SECTION 1. Section three (a) of Republic Act Numbered Three thousand seven hundred seventy-nine, as amended, is hereby amended to read as follows:

"SEC. 3(a). 'Savings and loan association hereinafter called the association shall include any corporation engaged in the business of accumulating the savings of its members or stockholders, and using such accumulations, together with its capital in the case of a stock corporation, for loans and/or for investment in the securities of productive enterprises or in securities of the Government, or any of its political subdivisions, instrumentalities or corporations: *Provided*, That they shall be primarily engaged in servicing the needs of households by providing personal finance and long-term financing for home building and development";

SEC. 2. Section four (b) of the same Act is hereby amended to read as follows:

"SEC. 4(b). The Monetary Board shall fix the minimum paid-up capital of a savings and loan association organized as a stock corporation in such amount as said Board may consider necessary for the safe and sound operation of such association: *Provided, however*, That in no case shall such paid-up capital be less than one hundred thousand pesos: *Provided, further*, That at least seventy per cent (70%) of the voting stock of a

savings and loan association which may be established after the approval of this Act shall be owned by citizens of the Philippines, except where a new association is established as a result of the consolidation of existing associations in which there are foreign-owned voting stocks at the time of consolidation: *Provided, furthermore,* That the percentage of foreign-owned voting stocks in stock savings and loan associations existing upon the effectivity of this Act, if such percentage is in excess of thirty per cent (30%) of the voting stock of the savings and loan association, shall not be increased, but may be reduced, and, once reduced, shall not be increased thereafter beyond thirty per cent (30%) of the voting stock of the savings and loan association. The percentage of foreign-owned voting stocks in an association shall be determined by the citizenship of the individual stockholders in that association. In the case of corporations owning shares in the association, the citizenship of each stockholder in that corporation shall be the basis of computing the percentage. Such association is authorized to receive deposits from, and extend loans to, the general public."

SEC. 3. Section five of the same Act is hereby amended to read as follows:

"SEC. 5. Powers of savings and loan association. — A savings and loan association shall be incorporated under the Corporation Law, and in addition to the powers therein granted whenever applicable, it shall exercise the following:

"(a) To grant loans of not exceeding the amount deposited by the borrower plus his four months' salary or regular income in the case of a permanent employee or wage earner, or seventy per cent of the fair market value of any property acceptable as collateral on first mortgage that he may put up by way of security: *Provided,* That no loan shall have a maturity date of more than three years, except loans on the security of unencumbered real estate for the purpose of home building and home development which may be granted with maturities not exceeding twenty years subject to regulations prescribed by the Monetary Board: *Provided, further,* That in the case of a borrower who is a permanent employee or wage earner, the treasurer, cashier or paymaster of the office employing him is authorized, the provisions of any existing law, rule and regulation to the contrary notwithstanding, to make deductions from his salary, wage, or income pursuant to the terms of his loan, to remit deductions to the savings and loan association, and to collect such reasonable fee for his services as may be authorized by rules promulgated by the Monetary Board.

"(b) To charge interest within the limits allowed by law, and collect such necessary fees incidental to the grant of loans as may, by regulation, be authorized by the Monetary Board;

"(c) Subject to such rules as the Monetary Board may approve, to discount with recourse commercial papers and accounts receivables;

"(d) To invest its funds in any sound non-speculative enterprise, as well as in bonds, securities, and other obligations issued by the Government of the Philippines, or any of its political subdivisions, instrumentalities or corporations including government-owned or controlled corporations subject to the rules and regulations of the Monetary Board: *Provided*, That stock savings and loan associations may invest in equities only of such allied undertakings as may be approved by the Central Bank for banks of their category as provided for in Section 6-A of Republic Act No. 337, as amended: *Provided, further*, That (a) the total investment in equities shall not exceed twenty-five percent (25%) of the net worth of the association; (b) the equity investment in any single enterprise shall be limited to fifteen per cent (15%) of the net worth of the association; (c) the total equity investment of the association in any single enterprise shall remain a minority holding in that enterprise, except where the enterprise is not a financial intermediary;; and (d) the equity investment in other banks, if allowed by the Monetary Board, shall be subject to the same limitations imposed on similar investments' of commercial banks and shall be deducted from the investing stock savings and loan association's net worth for purposes of computing the prescribed ratio of net worth to risk assets. Equity investments shall not be permitted in non-related activities. Where the allied undertaking is a wholly or majority-owned subsidiary of the investing association, it may be subject to examination by the Central Bank.

"(e) To allow member-depositors to participate in the profits of the savings and loan association on the basis of their deposits on the date dividends are declared; and

"(f) To borrow money or incur such obligations not exceeding twenty *per centum* of the total assets of the association, from any public lending institutions, such as the Development Bank of the Philippines, the Philippine National Bank, the Government Service Insurance System, the Social Security System, and from such private lending institutions as may be approved by the Monetary Board, including other stock savings and loan associations. The Monetary Board may, in meritorious cases, raise the ceiling on the borrowing capacity of a savings and loan association to an amount not exceeding thirty *per centum* of its total assets: *Provided*, That in the case of a non-stock savings and loan association organized by employees of an entity or a corporation, such association may borrow funds from said entity or corporation but not vice versa.

"(f-1) To maintain deposits with banks and other stock savings and loan associations: *Provided*, That the amount of such deposits shall be subject to the loan limit to a single borrower as prescribed herein or by other special laws or regulations.