

[REPUBLIC ACT NO. 3779, June 22, 1963]

**AN ACT TO PROVIDE FOR THE REGULATION OF THE
ORGANIZATION AND OPERATIONS OF SAVINGS AND LOAN
ASSOCIATIONS.**

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

SECTION 1. *Title.*—The short title of this Act shall be the "Savings and Loan Association Act."

SEC. 2. *Declaration of Policy.*—It is hereby declared to be the policy of the State;

- (a) To regulate and supervise the activities of savings and loan associations in order to place their operations on a sound, stable, and efficient basis to the end that they may be able to better provide for the establishment of additional credit and savings facilities in a fair manner to the consuming public and to industry, commerce, and agriculture and to curtail or prevent acts or practices of these savings and loan associations which are prejudicial to the public interest;
- (b) To lay down the minimum requirements and the standards under which savings and loan associations may be established and do business;
- (c) To maximize the protection of the public, and of members and stockholders of savings and loan associations against misfeasance and malfeasance of the directors and officers thereof; and
- (d) To encourage industry, frugality and the accumulation of savings among the public, and the members and stockholders of savings and loan associations.

SEC. 3. *Definition of terms.*—For the purpose relative to the implementation of this Act, the following definitions shall apply:

- (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;

- (b) "Monetary Board" shall mean Monetary Board of the Central Bank of the Philippines; and
- (c) "Central Bank" shall mean Central Bank of the Philippines.

SEC. 4. *Organization of savings and loan association.*—

- (a) A savings and loan association shall be organized either as a stock or non-stock corporation;
- (b) A savings and loan association organized as a stock corporation shall have a fully paid-up capital of at least one hundred thousand pesos and is authorized to receive deposits from, and extend loans to, the general public: *Provided, however,* That a savings and loan association operating for at least three years as a non-stock corporation may be converted to a stock corporation with a paid-up capital of fifty thousand pesos;
- (c) A savings and loan association organized as a non stock corporation shall confine its membership to a well defined group of persons and shall not transact business with the general public. It shall accept deposits from, and grant loans to, only its member-depositors; and
- (d) No entrance fees of any kind may be charged by any association without first securing the approval of the Monetary Board. In no case shall the total amount of fees exceed one percent of the amount deposited, contributed, or otherwise paid in by the particular shareholder, stockholder or member.

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 percent of the fair 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 one year: *And 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. For the purpose of this Act, deposits made by an association to a bank shall not constitute a loan;
- (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;

(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 such dividends are declared; and

(f) To borrow money or incur such obligations up to not more than five *per centum* of the total assets of the association, from any public lending institutions, such 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 other than another savings and loan association as may be approved by the Monetary Board; the Monetary Board may, in meritorious cases, raise the ceiling on the borrowing capacity of a savings and loan association to not more than ten *per centum* of its total assets.

SEC. 6. *Restrictions on savings and loan associations.*—

(a) No association shall have or carry upon its books for any person any demand, commercial or checking account, or any credit to be withdrawn upon the presentation of any negotiable check or draft.

(b) No association shall advertise or represent itself to the public as a bank, whether commercial or savings, or as a trust company.

(c) No association shall issue, publish or cause or permit to be issued or published, any advertisement that it is doing or permitted to do any business which is prohibited by law to an association, or which misrepresents its shares, stock, investment certificates, or the rights of investors or depositors in respect thereto.

SEC. 7. *Prerequisite approval of articles of incorporation and by-laws.*—The articles of incorporation and by-laws of a proposed savings and loan association shall not be filed in the Office of the Securities and Exchange Commissioner unless there is attached thereto a certificate the Monetary Board approving such articles and by-laws. *Provided, however,* That this requirement shall not apply to savings and loan associations duly incorporated or registered prior to the approval of this Act and which are actually existing and operating as such: *Provided, further,* That such existing savings and loan associations shall an information sheet within sixty days after the approval of this Act with the Central Bank in a form prescribed by the Monetary Board and shall comply with the requirements of Sections eight and nine of this Act not later one year from the approval thereof.

No person, association, partnership or corporation shall hold itself out as doing business as a savings and loan association or shall use the term "savings and loan association" or any other title or name tending to give the public the impression that it is engaged in the operations and activities of a savings and loan association unless

so authorized under this Act.

SEC. 8. *Application for approval; contents.*—The articles of incorporation of a proposed association shall be submitted to the Monetary Board together with a copy of the proposed by-laws and an application, signed by a majority and verified by one of the directors, requesting approval. The application shall set forth:

- (a) the names and addresses of the incorporators, directors, and officers, with a statement of their character, experience, and general fitness to engage in the savings and loan business;
- (b) an itemized statement of the estimated receipts and expenditures of the proposed association for the first year;
- (c) a showing that the public convenience and advantage will be promoted by the formation of the proposed association;
- (d) any other matters the Monetary Board may require. A filing fee of two hundred pesos shall be paid to the Superintendent of Banks with each application for approval of proposed articles of incorporation and by-laws, but in the case of non-stock savings and loan associations, the filing fee shall be five pesos.

SEC. 9. *Hearing on Application.*—Upon the receipt of an application to form a proposed savings and loan association, the Monetary Board shall give written notice to each existing association that an application has been made. The notice shall state the name of the proposed association, and the time and place that a hearing will be held. The hearing shall be conducted not less than ten days after the mailing of the notice. Any person may appear at such hearing in person or by agent or attorney, and orally or in writing show cause why such application should not be approved.

If after public hearing, the Monetary Board believes that the requirements of this Act have been complied with and that no valid reasons exist for the disapproval of the application, it shall favorably endorse such application to the Securities and Exchange Commissioner who shall issue articles of incorporation to the association.

SEC. 10. *Ground for refusal to execute certificate of approval.*—The Monetary Board may refuse to approve the application, if upon examination and investigation it finds that:

- (a) the corporation is to be formed for any business other than the legitimate savings and loan business, or
- (b) the association's financial program is unsound, or
- (c) the area where the association is to be located is adequately served by one or more existing associations.

SEC. 11. *Annual Licensing* .—All associations, prior to transacting any business, shall procure a license to transact business from the Monetary Board. After due notice and hearing, the Monetary Board may revoke, or suspend for such period as it determines, the license of any association, the solvency of which is imperiled by losses or irregularities or of any association which will fully violates any provisions of this Act or any regulation issued thereunder.

SEC. 12. *Branch offices and agencies.*—

(a) No association shall open, maintain or operate a branch without first applying for and obtaining from the Monetary a license for such branch.

(b) The application for a branch license shall be in such form as the Monetary Board shall require, including an itemized statement of the estimated receipts and expenditures of the association in connection with such branch for the first year or such longer period as the Monetary Board requires, and a showing that the public convenience and advantage will be promoted by the operation of such branch. A filing fee of fifty pesos shall be paid to the Monetary Board with each application for a branch license.

(c). If after public hearing conducted not earlier than ten days after notice thereof, the Monetary Board is satisfied that the operation of the proposed branch is in the interest of such association, that the area where the proposed branch is to be located is not adequately served by one or more existing associations, and that the public convenience and advantage will be promoted by the operation of such branch, it shall issue a, license for the proposed branch.

SEC. 13. *Agents and salesmen.*—No person shall act as an agent or salesman of an association or operate an agency without obtaining a license from the Monetary Board. No license is required for a collector of an association but no person shall hold himself out or act as a collector unless he is authorized as a collector in writing by such association.

SEC. 14. *Qualifications for directors.*—No person shall be eligible as director of an association unless he is a member, in case of non-stock associations, or an owner in his own right of stocks in the association with an aggregate par value of at least five thousand pesos, in case of stock associations.

SEC. 15. *Bond of officers and employees.*—All officers and employees of an association, who have access to money, or negotiable securities of the association, or who issue stock or shares of the association in the regular discharge of their duties shall, before entering upon their duties, furnish to the employing association a good and sufficient bond, the form and amount of which shall be prescribed by the Monetary Board, indemnifying the association against loss of money or securities by reason of their dishonesty and against any loss arising from their dishonest issue of stock or shares.

SEC. 16. *Compensation of directors, officers and employees.*—No director, officer, or employee of an association shall receive from such association, and no association shall pay to any director, officer, or employee of such association, any commission, emolument, gratuity or reward based on the volume or number of loans made or based on the interest or fees collected thereon. Nothing in this section prohibits or limits any of the following: