

REPUBLIC ACT NO. 8367
AN ACT PROVIDING FOR THE REGULATION OF THE ORGANIZATION AND
OPERATION OF NON-STOCK SAVINGS
AND LOAN ASSOCIATIONS

SECTION 1. *Title.* — The short title of this Act shall be the "*Revised Non-Stock Savings and Loan Association Act of 1997*".

SECTION 2. *Declaration of policy.* — It is hereby declared the policy of the State to:

- a) encourage industry, frugality and the accumulation of savings, and judicious utilization of credit among the members of non-stock savings and loan associations;
- b) regulate and supervise the activities of non-stock 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 savings and credit facilities in a fair manner to their members and to curtail or prevent acts or practices of these Associations which are prejudicial to their members' interest;
- c) lay down the minimum requirements and the standards under which non-stock savings and loan Associations may organize and operate; and
- d) maximize the protection of members of non-stock savings and loan associations against misfeasance and malfeasance of the trustees and officers thereof.

SECTION 3. *Definition of terms.* — For the purposes of implementing this Act, the following definitions shall apply:

- a) Non-stock savings and loan association shall mean a non-stock, non-profit corporation engaged in the business of accumulating the savings of its members and using such accumulations for loans to members to service the needs of households by providing long term financing for home building and development and for personal finance;
- b) Association shall refer only to non-stock savings and loan associations organized under this Act and the Corporation Code of the Philippines;
- c) Monetary Board shall mean the Monetary Board of the Bangko Sentral ng Pilipinas; and
- d) Bangko Sentral shall mean the Bangko Sentral ng Pilipinas.

SECTION 4. *Organization of an Association.* — At least five (5) but not more than fifteen (15) members of a well-defined group as provided herein may form an Association under this Act. An Association, prior to transacting any business, shall secure a license from the Monetary Board and register with the Securities and Exchange Commission (SEC). The application for a license, signed by a majority of the incorporators and verified by one of the trustees, shall include:

- a) the proposed articles of incorporation and bylaws together with names and addresses of the incorporators, trustees and officers, with a statement of their character, experience and general fitness to engage in the non-stock savings and loan business;
- b) an itemized statement of the estimated receipts and expenditures of the proposed Association for the first year;
- c) a filing fee in such amount as may be determined by the Monetary Board; and
- d) such other information as the Monetary Board may require.

The SEC shall not register the articles of incorporation and bylaws of a proposed Association unless the application is accompanied by a certificate of the Monetary Board approving the same. The Monetary Board may deny the application to organize an Association under this Act if it finds that the Association is being organized for any purpose other than to engage in the business of a legitimate non-stock savings and loan association or that the Association's financial program is unsound, or that the proposed members are adequately served by one or more existing Associations.

The Association shall confine its membership to a well-defined group of persons and shall not transact business with the general public. A "well-defined group" shall be defined by the Monetary Board, and shall consist of, but not be limited to, any of the following:

- 1) employees, officers, and directors of one company, including member-retirees;
- 2) government employees belonging to the same department/branch/office, including member-retirees; and
- 3) immediate members of the families (up to second degree of consanguinity or affinity) of those falling under paragraphs 1 and 2 above.

Associations whose articles of incorporation and bylaws were approved and registered prior to the effectivity of this Act and which allow membership coverage broader than the foregoing definition, shall be allowed to continue as such, unless otherwise required by the Monetary Board.

The Monetary Board may, as circumstances warrant, require Associations mentioned in the immediately preceding paragraph to amend their bylaws to comply with the concept of a "well-defined group."

In no case shall the total amount of entrance fees exceed one percent (1%) of the amount to be contributed or otherwise paid in by the particular member: *Provided*, That for new members, the said fee shall be based on the amount of contribution computed in accordance with the revaluation of the assets of the Association.

No person, association, partnership or corporation shall do business, or hold itself out as doing business, as an 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 an Association, unless so authorized under this Act.

SECTION 5. *Tax exemption.* — An Association shall be exempt from payment of tax in respect to income it receives, including interest on its deposits with any bank: *Provided, however,* That income derived from any of its properties, real or personal, or any activity conducted for profit, regardless of the disposition thereof, is subject to the corresponding internal revenue taxes imposed under the National Internal Revenue Code.

Interest earnings on deposits of members with Associations as well as the shares of its members from the net income of the Associations shall be exempt from income tax.

SECTION 6. *Prohibition against inquiry into or disclosure of deposits.* — All deposits of whatever nature with an Association in the Philippines are hereby considered as of an absolutely confidential nature and may not be examined, inquired or looked into by any person, government official, bureau or office, except upon written permission of the depositor, or in cases of impeachment, or upon order of a competent court in cases of bribery or dereliction of duty of public officials, or in cases where the money deposited or invested is the subject matter of litigation.

It shall be unlawful for any official or employee of an Association to disclose to any person any information concerning said deposits, except in the cases mentioned in the preceding paragraph of this section. Any official or employee of an Association who violates this section shall be punished under Republic Act No. 1405, as amended.

SECTION 7. *Powers of Associations.* — The Association shall accept deposits from and grant loans only to its members, subject to such rules and regulations as the Monetary Board may promulgate to ensure sound, stable and efficient operation: *Provided,* That no deposits shall be sourced or deducted from the loans granted to a member without his or her written consent.

The loans shall not exceed the members' deposits and contributions in the Association, plus twelve (12) months of his regular salary as the Association may allow or seventy percent (70%) of the fair market value of any property acceptable as collateral on first mortgage that he may offer as security: *Provided,* That no loan shall have the maturity date of more than five (5) 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-five (25) years, and medium and long-term loans to finance agricultural projects, subject to regulations prescribed by the Monetary Board: *Provided, further,* That the treasurer, cashier, or paymaster of the office employing a member is required, notwithstanding the provision of any existing law, rule and regulation to the contrary, to make deductions from his salary, wage, income or retirement pension pursuant to the terms of his loan, and all other deductions authorized by the member, to remit such deductions to the Association concerned, and to collect such reasonable fee for his services as may be authorized by rules promulgated by the Monetary Board.

In addition to the powers granted it by this Act and existing laws, any Association may:

- a) charge reasonable interest and collect such necessary fees and charges incidental to the grant of loans;

b) invest its funds in any sound non-speculative enterprises as well as in bonds, security, 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;

c) allow members to participate in the profits of the Association;

d) borrow money or incur such obligations not exceeding twenty percent (20%) of the total assets of the Association, from any lending institution. The Monetary Board, may, in meritorious cases, raise the ceiling on the borrowing capacity of an Association to an amount not exceeding thirty percent (30%) of its total assets: *Provided*, That any such Association organized by employees of an entity or corporation may borrow funds from said entity or corporation but not vice-versa: *Provided, further*, That the number of the Association's creditors shall not exceed nineteen (19) at any one time;

e) maintain deposits with banks: *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;

f) require the employer-entity or corporation to provide it with adequate office space within which it can conduct its business; and

g) engage in death benefit program meant exclusively for the mutual benefit of its members.

SECTION 8. *Restrictions on 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.

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 for an Association.

SECTION 9. *Service units.* — An Association shall open, maintain and operate service units as may be necessary in order to deliver services to its members subject to approval of the Monetary Board.

SECTION 10. *Agents and salesmen.* — No person shall act as an agent or sales representative 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 collector unless he is authorized as a collector in writing by such Association.

SECTION 11. *Merger or consolidation of Associations.* — To achieve simplicity, economy and efficiency, different associations of one company or department or office may merge or consolidate upon approval of the Monetary Board.

SECTION 12. *Trustees.* — Only members are eligible as trustees of an Association: Provided, That in the case of a merger or consolidation of Associations duly approved by the Monetary Board, the limitation on the maximum number of trustees in a corporation, as provided for in the Corporation Code, shall not be applied for a maximum period of three (3) years so that membership in the new board may include up to the total number of trustees provided for in the respective articles of incorporation of the merging or consolidating Associations.

SECTION 13. *Bond of officers and employees.* — All officers and employees of an Association who, in the regular discharge of their duties have access to money or negotiable securities shall, before entering upon such duties, furnish to the employing Association a good and sufficient bond, the form and amount of which shall be prescribed by the Monetary Board, and providing for indemnity to the Association against the loss of money or securities, by reason of their dishonesty.

SECTION 14. *Compensation of trustees, officers and employees.* — No trustee, officer, or employee of an Association shall receive from such Association, and no Association shall pay to any trustee, 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:

- a) receipt or payment of salaries of trustees, officers and employees;
- b) receipt of payment of commissions to agents whether or not based on the volume or number of loans or on the interest or fees collected thereon; and
- c) receipt or payment of bonuses to trustees, officers or employees if such bonuses are based on the performance and not on the volume or number of loans made or on the interest or fees collected thereon.

All increase in the compensation, in any form, of all trustees and trustee-officers in excess of ten percent (10%) thereof per annum shall require the approval of the Bangko Sentral.

SECTION 15. *Limitations on lending authority.* — a) An Association shall not commit itself to make any loans for amounts in excess of the total of the following amounts:

- 1) amount of cash available for loan purposes;
- 2) amount of cash which can be readily realized upon the sale or redemption of permissible investments made by the Association; and
- 3) amount of credit available for loan purposes from government or private financing institutions.

b) No Association shall directly or indirectly make any loans to any trustee or officer of such Association, either for himself or as agent or as partner of another, except with the written approval of the majority of the trustees of the Association, excluding the trustee concerned: *Provided*, That the total loans, direct or indirect, granted at any one time to such trustees and officers shall not exceed twenty percent (20%) of the total capital

contributions of the Association; in all cases of the credit accommodations granted to trustees and officers under this subsection, the written approval of the majority of the trustees of the Association, excluding the trustee concerned, shall be entered upon the records of the Association and a copy of such entry shall be transmitted forthwith to the Bangko Sentral.

The transactions of all trustee-officers with the Association shall not be under terms more favorable than those transacted with other members. The office of any trustee or trustee-officer of an Association who violates the provisions of this subsection shall immediately become vacant and the trustees or officers shall be punished by imprisonment of not less than one (1) year nor more than ten (10) years and by a fine of not less than Five thousand pesos (P5,000) nor more than Fifty thousand pesos (P50,000).

SECTION 16. *Execution of loan agreement.* — For each loan made by an Association, a written note or other obligation expressing a rate of interest must be executed by the borrower.

SECTION 17. *Liability of officers for loans contrary to law.* — No Association shall make or purchase any loan or investment not authorized or permitted under this Act, and any trustee, officer or employee, who on behalf of any such Association, knowingly makes or purchases any such loan or investment or who knowingly consents thereto shall be personally liable to the Association for the full amount of any such loan or investment.

SECTION 18. *Limitations on investment.* — a) No Association at any one time shall invest in bonds and securities in a total amount in excess of ten percent (10%) of the total assets of such Association without prior written approval of the Bangko Sentral.

b) No Association at any one time shall invest in real property in a total amount in excess of five percent (5%) of the total assets of such Association.

c) No Association at any one time shall invest in furniture, fixture, furnishings and equipment and leasehold improvements for its offices, in an amount more than ten percent (10%) of its total capital contribution.

SECTION 19. *Reserves.* — Every Association shall create a withdrawable share reserve which shall consist of two percent (2%) of the total capital contributions of the members which the Monetary Board may increase to a maximum of three percent (3%), as the situation warrants.

No Association shall distribute to its members any portion of its net income if its withdrawable share reserve is less than the minimum requirement, or if by such payment or distribution, such reserve will be reduced to an amount below the minimum requirement provided herein.

SECTION 20. *Withdrawal by a member.* — For the sole purpose of allowing an equitable valuation and distribution of assets for withdrawing members, an Association shall, upon the effectivity of this Act, impute revalued surplus to be added to the withdrawn capital, subject to such rules as the Monetary Board may prescribe. Such rules shall allow a reasonable period between withdrawal of capital and payment of the share of the member from the revalued surplus.

SECTION 21. *Annual reports by the Association.* — Every Association shall, within one hundred twenty (120) calendar days after the close of its fiscal year furnish the Monetary Board and post in any of the Association's bulletin board or in any other conspicuous place a copy of its financial statement showing, in such form and detail as the Monetary Board shall require, the amount and character of the assets and liabilities of the Association at the end of the preceding fiscal year. The Monetary Board may, in addition to the foregoing, require the disclosure of such other information as it shall deem necessary for the protection of the members of the Association.

SECTION 22. *Regulatory powers over Associations.* — Notwithstanding the provisions of Section 130 of Republic Act No. 7653, the power to regulate the operations of any Association by the Monetary Board shall continue and consist of the following:

- a) in seeing to it that the capital, financing, direction and administration, as well as the integrity, responsibility, and ability of organizers, administrators, trustees, and officers of all Associations organized and operated under this Act, shall reasonably assure the safety of the interests which its members entrust to them;
- b) in regulating the operation and activities of Associations, which include, among others: 1) in placing limits to the maximum credit allowed any individual borrower; 2) in determining the loan repayment period and loan procedures; 3) in imposing a uniform accounting system and manner of keeping the accounts and records of Associations; 4) in instituting periodic surveys of loan and lending procedures, audits, test check of each and other transactions of Associations; and 5) whenever necessary, in conducting training courses for personnel of Associations;
- c) in requiring all accountable officers and employees of every Association to post bonds for the faithful performance of their duties in reasonable sums and with such sureties as the Monetary Board may require;
- d) in fixing, by rules or by orders, in specific cases, after notice and hearing, the limits of loanable funds, amounts for investment and reserves for withdrawals and other contingencies;
- e) in issuing rules and regulations for the proper implementation of this Act, effective administration of the Associations, and to render advisory assistance to all interested parties in order to carry out the intents and purposes of this Act; and
- f) in conducting such investigations, taking such remedial measures and exercising all powers under Republic Act No. 7653, insofar as they are applicable in the enforcement of this Act.

The Bangko Sentral shall have the power to enforce the laws, orders, instructions, rules and regulations promulgated by the Monetary Board applicable to Associations; to require Associations, their trustees, officers and agents to conduct and manage the affairs of the Association in a lawful and orderly manner. After due notice and hearing, the Monetary Board may revoke or suspend the license of any Association, for such period as it determines necessary, particularly when the solvency of an Association is

imperiled by losses or irregularities, and/or when an Association willfully violates any provisions of this Act or any rule or regulations promulgated hereunder.

The director and examiners of the department of the Bangko Sentral charged with the regulation of Associations are hereby authorized to administer oaths to any trustee, officer or employee of any Association or to any voluntary witness and to compel the presentation of all books, documents, papers or records necessary in his judgment to ascertain the facts relative to the true condition of any Association or to any loan.

SECTION 23. *Penalties.* — a) The provisions of Section 34 of Republic Act No. 7653 shall apply to any agent, manager, or other officer-in-charge of any Association who willfully refuses any lawful examination into the affairs of such Association.

b) The willful making of a false statement or misleading statement on a material fact to the Monetary Board or to the director of the department of the Bangko Sentral charged with the regulation of Associations or to his examiners shall be punished in accordance with Section 35 of Republic Act No. 7653.

c) Whenever any Association, person or entity willfully violates this Act or any order, instruction, rule or regulation issued by the Monetary Board applicable to Associations, the persons responsible for such violation shall be punished in accordance with Section 36 of Republic Act No. 7653.

d) Whenever any officer, employee, or agent of an Association accepts gifts, fees or commissions or any other form of remuneration in connection with the approval of a loan from said Association; or overvalues or aids in overvaluing any security for the purpose of influencing in any way the action of the Association on any loan, such officer, employee or agent shall be punished by a fine of not more than Ten thousand pesos (P10,000) or three times the loan amount involved, whichever is higher, or imprisonment for not more than one (1) year, at the discretion of the court.

e) Whenever any applicant for a loan, or borrower of an Association fraudulently overvalues property offered as security for loan from the said Association; or furnishes false, or makes willful misrepresentation of material facts for the purpose of obtaining, renewing, or increasing a loan or extending the period thereof; or attempts to defraud the said Association in the event of a court action to recover a loan; or offers any officer, of a court action to recover a loan; or offers any officer, employee or agent of an Association any gift, fee, commission, or other form of compensation in order to influence such Association personnel into approving a loan application; such applicant or borrower shall be punished by a fine of not more than Five thousand pesos (P5,000) or three times the loan amount involved, whichever is higher, or imprisonment for not more than one (1) year, at the discretion of the court.

f) Whenever any examiner, officer or employee of the Bangko Sentral, who is assigned to examine, assist or render technical service to an Association, overvalues or aids in overvaluing any security for the purpose of influencing in any way the action of the Association on any loan or connives or aids in the commission of the same, he shall be punished by a fine of not more than Ten thousand pesos (P10,000) or three times the loan amount involved, whichever is higher, or imprisonment for not more than one (1) year, at the discretion of the court.

SECTION 24. *Annual fees.* — Consistent with the provisions of Section 28 of Republic Act No. 7653, any Association organized under this Act may, pursuant to regulations promulgated for the purpose by the Monetary Board, be required to contribute to the Bangko Sentral an annual fee to be determined by the Monetary Board.

SECTION 25. *Implementation.* — For the purpose of carrying the objectives of this Act, the Bangko Sentral is authorized to require the services and facilities of any department or instrumentality of the government or any officer or employee of any such department or instrumentality.

SECTION 26. *Annual report of the Monetary Board.* — The Monetary Board shall submit a report to the Congress of the Philippines as of the end of each calendar year of all the rules and regulations promulgated by it in accordance with the provisions of this Act, together with the explanations of its reasons therefor.

SECTION 27. *Industry Association.* — Membership in an existing association of Associations duly accredited and recognized by the Bangko Sentral, is hereby encouraged.

SECTION 28. *Applicability of other laws.* — The provisions of Republic Act No. 7653 and Republic Act No. 337, as amended, insofar as they are applicable and not in conflict with any provision of this Act, shall apply to Associations organized hereunder.

SECTION 29. *Separability clause.* — If any provision of this Act or the application thereof to any persons or circumstances is held invalid, the other provisions of this Act and the application of such provisions to other persons and circumstances, shall not be affected thereby.

SECTION 30. *Repealing clause.* — Republic Act No. 3779, as amended, is hereby repealed. Any law or parts of law inconsistent with the provisions of this Act are hereby repealed. In all matters affecting the price stability of the peso, the provisions of Republic Act No. 7653 shall prevail.

SECTION 31. *Effectivity.* — This Act shall take effect fifteen (15) days following the completion of its publication in the Official Gazette or in two (2) national newspapers of general circulation.

Approved: October 21, 1997