AN ACT
To amend Section 19 of Act No. 447, approved May 15, 1951, as amended.

Be it enacted by the Legislature of Puerto Rico:

Section 1.—Section 19 of Act No. 447 of 1951, as amended, is hereby amended to read as follows:

"Section 19.—The reserves of the System in excess of the cash requirements for current operations shall be invested and reinvested in the following types of securities and under the conditions and limitations herein imposed:

(a) Bonds or securities which are direct obligations of the United States or which are secured, as to principal and interest, by the United States;

(b) Bonds or evidences of indebtedness which are direct obligations or are secured by the full faith and credit of the Commonwealth of Puerto Rico, its instrumentalities, public enterprises or corporations, and municipalities;

(c) Bonds or evidences of indebtedness which are direct obligations or are secured by the full faith and credit of any state of the United States where there exists the power to levy taxes for the prompt payment of the principal and interest on such bonds or evidences of indebtedness, provided such state is not nor has been in default in the payment of principal and interest on such securities during a period of twenty years preceding the date of investment;

(d) Bonds or evidences of indebtedness which are direct general obligations of any county or city of the United States having a population as shown by the last federal census of not less than twenty-five thousand (25,000) inhabitants; provided they are not nor have been, during the period of twenty years preceding the date of investment, in default in the payment of principal or interest on any bond issue which is general obligations, and when the net indebtedness of said city or county does
not exceed 10 per cent of the assessed value of the property within its jurisdiction.

"(e) Revenue bonds or other obligations secured, as to principal and interest, by revenues or incomes specifically pledged for said purpose by the Commonwealth of Puerto Rico or any State of the United States, its political or civil divisions, public authorities or instrumentalities, provided said bonds or other obligations are not nor have been in default in the payment of principal or interest during any of the five years preceding the date of investment or during the period of effectiveness of said issue, if the same was made less than five years prior to the investment. Up to 15 per cent of the total cash invested by the System may be devoted to this type of investments.

"(f) Federal Housing Authority mortgages issued and secured under the rules and regulations of the Federal Housing Authority created by the President of the United States pursuant to the authority vested in him by Title 1 of the National Housing Authority Act approved June 27, 1934. Such mortgages must be issued and secured in accordance with the provisions of Title II—Mortgage Insurance, of the National Housing Authority Act, as approved June 27, 1934, and as amended to date; or under the provisions of Title VI—War Housing Insurance, approved March 28, 1941, as an amendment to the National Housing Authority Act, and as further amended by Public Law No. 388, an Act entitled 'Veterans Emergency Housing Act', approved May 22, 1946; or Federal Housing Authority mortgages that may be issued under the provisions of Titles II and VI, as subsequently amended, and other Titles created as amendments to the National Housing Authority Act by the Congress of the United States, provided the aforesaid titles provide for insurance under the minimum conditions stipulated for Title II and Title VI, relative to Federal Housing Authority mortgages.

"(g) Veterans Administration junior mortgages unconditionally secured by the United States Government and issued under the rules and regulations of the Veterans Administration...
in accordance with the terms of Section 505-A of the Veterans Readjustment Act of 1944, as amended.

“(h) Veterans Administration first mortgages issued under the rules and regulations of the Veterans Administration in accordance with the terms of Section 501 of the Veterans Readjustment Act of 1944, provided any such mortgages does not exceed $10,000 and not less than forty per cent (40%) of the outstanding balance of such mortgages is unconditionally secured by the United States Government.

“(i) Entire first mortgages on improved unencumbered real estate valued at not less than fifty per cent (50%) more than the amount loaned thereon, said worth to be substantiated by the appraisal of a recognized and experienced real estate appraiser. Before making such investment, a certificate of the assessed value of such property shall be executed by the Secretary of the Treasury of Puerto Rico. The investment in any one mortgage shall not exceed ten thousand (10,000) dollars, and the total amount of investment in such mortgages shall at no time exceed fifty per cent (50%) of the total invested assets of the System. By improved real estate is meant: all urban lots on which permanent buildings suitable for commercial or residential use are located.

“The funds may also be invested in loans to permanent employees who are members of the System, for the construction or acquisition of homes, or for the cancellation of first mortgages on homes, under the following conditions and limitations:

“(a) The investment in each individual loan shall not exceed ten thousand (10,000) dollars nor be greater than three times the annual salary of the employee, after deducting such annual sums as for the repayment of outstanding loans are deducted from his salary.

“(b) The loan shall not exceed ninety per cent (90%) of the value of the real property acquired or to be constructed with the proceeds of the loan, nor shall it extend for more than twenty (20) years nor for a number of years greater than the difference between the age of the borrowing employee and the age fixed in this Act for his optional retirement.

el Artículo 505-A de la Ley de Readaptación de los Veteranos, aprobada en 1944, según ha sido enmendada.

“(h) Primeras hipotecas de la Administración de Veteranos, otorgadas de conformidad con el reglamento de la Administración de Veteranos, de acuerdo con lo dispuesto en el Artículo 501 de la Ley de Readaptación de los Veteranos, aprobada en 1944, siempre que cada una de dichas hipotecas no exceda de diez mil dólares ($10,000) y no menos del cuarenta por ciento (40%) del balance sin pagar de dichas hipotecas esté incondicionalmente garantizado por el Gobierno de los Estados Unidos.

“(i) Primeras hipotecas individuales sobre bienes raíces mejorados, libres de gravámenes, y valoradas por lo menos en un cincuenta por ciento (50%) más de la suma prestada por razón de las mencionadas hipotecas; debidamente verificarse dichos valores mediante tasación realizada por un tasador de bienes raíces, reconocido y de experiencia. Antes de hacerse inversión alguna, el Secretario de Hacienda de Puerto Rico deberá expedir un certificado del valor de tasación de la referida propiedad. La inversión en cada hipoteca individual no excederá de diez mil dólares ($10,000), y el importe total de las inversiones en estas hipotecas en ningún momento excederá del cincuenta por ciento (50%) del total del activo invertido del Sistema. Por bienes raíces mejorados se entenderá: solares de zonas urbanizadas en los cuales estén ubicados edificios permanentes propios para fines comerciales o residenciales.

“También podrán invertirse los fondos en préstamos a empleados permanentes, miembros del Sistema, para la construcción o adquisición de hogares, o para la cancelación de primeras hipotecas sobre hogares, bajo las siguientes condiciones y limitaciones:

“(a) La inversión en cada préstamo individual no excederá de diez mil dólares ($10,000) ni podrá ser mayor de tres veces el sueldo anual del empleado, luego de descontarle las cantidades anuales que por concepto de préstamos en vigor le sean deducidas de su sueldo.

“(b) El préstamo no podrá exceder del noventa por ciento (90%) del valor del inmueble adquirido, o a construirse, con el importe del préstamo, ni podrá extenderse por más de veinte (20) años, ni por un número de años mayor que la diferencia entre la edad del empleado y la edad fijada en esta ley para el retiro opcional del empleado prestatario.
“(c) The loan shall be secured by a first mortgage on the real property for whose acquisition the loan was made, by the contributions accumulated or that may accumulate in the System in favor of the borrower, and by the amount which in case of the death of the borrower may correspond to his heirs or to the person he may have designated as beneficiary, as provided in Sections 13 and 14 of this Act.

“(d) When the loan is granted for the construction of a home, the borrower shall give to the System as security, while the construction is in progress and until the proper mortgage deed is executed, two signatures of recognized moral and financial solvency, besides the collateral security of his monthly salary, from which there shall be deducted monthly the sum which the borrower has obligated himself to pay, and besides the securities stipulated in the preceding subdivision (c).

“(e) The payment of premiums on insurance policies and the payment of taxes on the real property mortgaged to secure the loan, shall be included as a part of the debt and shall be proportionally deducted each month, jointly with the deduction to cover payment of principal and interest.

“(f) The Board may devote to this type of investments up to twenty-five (25) per cent of the total invested assets of the System.

“All securities of the Government of the United States, its states and municipalities, or other investments originating within the limits of continental United States, owned by the System, shall be deposited in a special safe-keeping depository within the limits of the continental United States. Such special depository shall be the same special depository as is used by the Secretary of the Treasury of Puerto Rico for the safe-keeping of securities of the Commonwealth of Puerto Rico.

“Bonds, mortgages and other evidences of indebtedness owned by the System which shall have been issued and originated within Puerto Rico, shall be held in safe-keeping by the Secretary of the Treasury of Puerto Rico; it being understood that any and all such securities may be transferred to the safe-keeping agent of the Secretary of the Treasury of Puerto Rico in continental United States, in case such transfer should be desirable or necessary.

“As provided in Section 16 of this Act, the Board may authorize the Administrator to contract with the Government
Development Bank for Puerto Rico for the investment of the moneys belonging to the System, subject to the following conditions and limitations:

“(a) The Government Development Bank for Puerto Rico may be authorized to purchase, sell, or exchange, for the account of the System, any of the securities described above or hereinafter referred to in this Act, under the conditions hereinafter prescribed; and the said Bank may be paid under a contract for services rendered, or by premiums on securities;

“(b) May contract for the purchase from the Government Development Bank of special certificates of deposit issued by said Bank; Provided, that there shall be set aside into special accounts, as collateral securities, evidences of indebtedness of the following types, to an amount not less than the value of the unpaid principal of such special deposit certificates:

1. Mortgages of the Federal Housing Authority and the Veterans Administration, as described in clauses (f), (g), and (h) of this section. In the event of default of any such mortgages and if such default should continue for a period of ninety (90) days, the Government Development Bank for Puerto Rico shall be liable for the withdrawal of the defaulted mortgage from the collateral securities maintained for the special certificates of deposit issued to the System. In such case, the said Bank shall be liable for the substitution of current securities from any of the other security classifications eligible as collateral for certificates of deposit; or the Bank may return the unpaid balance of such defaulted mortgage. On any such readjustment, the Bank shall also be liable for accrued interest on the defaulted securities to the date of their substitution or payment. Substitution for a current mortgage or return of cash, as herein provided, shall be the responsibility of the Government Development Bank for Puerto Rico and shall not require written or oral notice of any kind from the Board.

2. First mortgages underwritten in Puerto Rico by the Government Development Bank for Puerto Rico on residential, commercial or industrial properties, provided that not more than fifty per cent (50%) of any such mortgage shall be deposited as collateral for any special deposit certificate or certificates issued by the Bank to the System.

Gubernamental de Fomento para Puerto Rico con el fin de invertir los dineros del Sistema con sujeción a las siguientes condiciones y limitaciones:

“(a) Podrá autorizarse al Banco Gubernamental de Fomento para Puerto Rico a comprar, vender o cambiar, por cuenta del Sistema, cualquiera de los valores antes descritos, o a los cuales se haga referencia más adelante en esta ley, y bajo las condiciones que más adelante se prescriben; y el mencionado banco podrá ser pagado mediante contrato por servicios prestados, o por medio de primas sobre valores;

“(b) Podrá contratar para comprar del Banco Gubernamental de Fomento certificados de depósito especiales expedidos por dicho banco; disponiéndose, que se separarán en cuentas especiales como garantía colateral, títulos de deuda de las siguientes clases, por un montante no menor del valor del principal no pagado de dichos certificados de depósitos especiales:

1. Hipotecas de la Autoridad Federal Sobre Hogares y de la Administración de Veteranos, según han sido descritas en los incisos (f) (g) y (h) de este Artículo. Si respecto de cualquiera de dichas hipotecas se incurrir en mora, y la misma continúare durante noventa (90) días, el Banco de Fomento de Puerto Rico será responsable del retiro de la hipoteca en mora de las garantías colaterales mantenidas para los certificados especiales de depósito expedidos al Sistema. En tal caso, el referido banco será responsable de la sustitución de valores activos de alguna de las otras clasificaciones elegibles como colateral para certificados de depósitos; o podrá el Banco devolver el balance no pagado de la hipoteca en mora. En cualesquiera de estos reajustes, el Banco será también responsable de los intereses acumulados de los valores en descubierto hasta la fecha de su sustitución o pago. La sustitución de una hipoteca activa o la devolución de efectivo, según se dispone en la presente, será responsabilidad del Banco Gubernamental de Fomento para Puerto Rico, y no requerirá aviso escrito o verbal de ninguna clase por parte de la Junta.

2. Primeras hipotecas suscritas en Puerto Rico por el Banco Gubernamental de Fomento para Puerto Rico sobre propiedades residenciales, comerciales o industriales, siempre que no más del cincuenta por ciento (50%) del montante de dichas hipotecas se depositen como colateral para cualquier certificado o certificados especiales de depósito expedidos al Sistema por el Banco.
“Interest on special deposit certificates issued to the System by the Government Development Bank for Puerto Rico shall be payable on the first day of January and July of each year. Maturities, redemption privileges and other amortization features on certificates of deposit issued by the Government Development Bank for Puerto Rico, shall be by mutual agreement between the Bank and the System.

“Except as otherwise herein provided, no member of the Board or employee of the System shall have any direct or indirect interest in the income or profits of any investment made by the Board, nor shall any such person receive any pay or emoluments for services rendered in connection with any of these investments. No member of the Board or employee of the System may become surety for, or in any manner secure, any loans granted by the System. Any person who shall violate any of these provisions shall be guilty of a misdemeanor and upon conviction punished as provided by law.”

Section 2.—All laws or parts of laws in conflict herewith are hereby repealed.

Section 3.—This Act shall take effect immediately after its approval.

Approved, July 1, 1953.

(S. B. 272)

[No. 121]
[Approved, July 1, 1953]

AN ACT

To increase to twenty-five (25) dollars a month the amount of all pensions of less than that amount which appertain to any person retired under Act No. 447 of May 15, 1951, or any of the pension plans superseded by the said Act, or to such persons working full time as may in future be retired under the provisions of the said Retirement Act, and to appropriate the funds necessary for such purposes.

Be it enacted by the Legislature of Puerto Rico:

Section 1.—There is hereby increased to the amount of twenty-five (25) dollars a month the amount of all pensions of