§ 388. Fines and penalties for failure to make payments on instalment shares. 1. Where dividends on instalment shares are credited by series, a savings and loan association may impose fines upon the holders of instalment shares of a series, their legal representatives or successors in interest, if they neglect to pay dues, interest or premium when due, but such fines shall not exceed one per centum per month of the amount in default for the period during which such dues, interest and premium shall have remained in default, except that a fine at the rate of two per centum per month of the amount in default may be imposed during the first three months of any default.

2. Where dividends on instalment shares are credited individually to shares, a savings and loan association may declare a lower rate of dividend on instalment shares upon which there has been a default for more than sixty days since the last declaration of dividends, provided that such dividend shall be not less than sixty per centum of the dividend declared on like instalment shares not in default.

3. Where dues on instalment shares are applied directly in reduction of a mortgage loan, a savings and loan association may provide, as one of the terms of the obligation, that interest may be added to the unpaid balance of the obligation on the first day of each month and computed upon the unpaid balance of the obligation due as of the last day of the preceding month.

4. No fine shall be charged against or deducted from the dues actually paid by a member and no fines or penalties other than those provided in this section shall be imposed for failure to meet payments on instalment shares.