§ 393. Repayment of mortgage loans; application of pledged shares. 1. For the purpose of making payment on his mortgage loan a member may at any time, without forfeiture of dividends, transfer from the amount credited upon the shares pledged by him as security, a sum equal to the matured value of one or more instalment shares.

2. Any mortgage loan made by a savings and loan association to a member may be repaid in whole or in part at any time, but the loan contract may expressly provide for a period during which prepayment may not be made without incurring prepayment penalties. When such provision is contained therein, the loan contract must also expressly provide for prepayment penalties or no prepayment penalties may be collected when the loan is prepaid. However, where a loan is secured by mortgage on a one to six family residence, or is extended to finance the purchase of a cooperative under subdivision two-a of section three hundred eighty of this chapter which residence or cooperative is or will be occupied in whole or in part by the member, prepayment penalties may be imposed only during the first twelve months from the date the mortgage or cooperative loan was made and may not exceed:

(a) Interest for a period of three months on the principal so prepaid; or

(b) Interest for the remaining months of the first year on the principal so prepaid if the prepayment is made at any time within one year from the date the loan is made.

The book value of instalment shares pledged as security for any such loan shall be deducted from the amount of the loan in determining the amount of principal upon which such interest may be charged.

3. Whenever any mortgage is foreclosed, the withdrawal value of the shares transferred and pledged to any such association as security for the loan shall be applied toward the payment of the indebtedness of the member and his rights under such shares shall terminate.

4. In event of the voluntary or involuntary liquidation of any association, the holder of shares pledged as security for a mortgage loan pursuant to the provisions of subdivision one of section three

hundred eighty of this article shall be entitled to have the payments on such shares and the dividends credited or entitled to be credited thereon applied in reduction of such mortgage loan.

5. No shares pledged as security for a mortgage loan may be withdrawn while the mortgage loan against which they are pledged is outstanding.