

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL**No. 95**Session of
1997

INTRODUCED BY HOLL, JANUARY 21, 1997

SENATOR HOLL, BANKING AND INSURANCE, AS AMENDED, MAY 6, 1997

AN ACT

1 Amending the act of December 14, 1967 (P.L.746, No.345),
2 entitled "An act relating to and regulating the business of
3 savings associations heretofore designated under other acts
4 and special charters variously as building and loan
5 associations and savings and loan associations; defining the
6 rights, powers, duties, liabilities, and immunities of such
7 associations; affecting persons engaged in the business of
8 savings associations; affecting the members, account holders
9 and borrowers of such associations; affecting Federal savings
10 and loan associations whose principal office is located in
11 the Commonwealth; prohibiting the transaction of business in
12 this Commonwealth by foreign savings associations; conferring
13 powers and imposing duties on certain departments and
14 officers of the Commonwealth and on the courts, recorders of
15 deeds; creating a Savings Association Board and defining its
16 powers and duties; prohibiting certain actions and imposing
17 penalties, and repealing certain acts," adding or amending
18 certain definitions; providing for conversion to federally
19 insured status; further providing for refund of capital
20 deposits, for alternate conversion procedures, for
21 dissolution of associations, for appointment of directors and
22 for the dissolution of the Pennsylvania Savings Association
23 Insurance Corporation; and making repeals.

24 The General Assembly of the Commonwealth of Pennsylvania
25 hereby enacts as follows:

26 Section 1. Section 102(5.2) of the act of December 14, 1967
27 (P.L.746, No.345), known as the Savings Association Code of
28 1967, added April 9, 1982 (P.L.334, No.94), is amended and the

1 section is amended by adding clauses to read:

2 Section 102. Definitions.--The following words and phrases
3 when used in this act shall have, unless the context clearly
4 indicates otherwise, the meanings given to them in this section:

5 * * *

6 (5.2) "Capital deposit," the contributions paid by a
7 savings association to the Pennsylvania Savings Association
8 Insurance Corporation's central insurance fund, consisting of
9 capital contributions by each member savings association in an
10 amount equal to not less than two percent of the total savings
11 on deposit with each member.

12 [(5.2)] (5.3) "Capital surplus," the amount paid to an
13 association for the purchase of permanent reserve fund stock in
14 excess of its par value.

15 * * *

16 ~~(6.1) "Corporation~~ (19.2) "PSAIC," the Pennsylvania Savings <—
17 Association Insurance Corporation established by the act of
18 April 6, 1979 (P.L.17, No.5), referred to as the Pennsylvania
19 Savings Association Insurance Corporation Act.

20 * * *

21 Section 2. Section 823 of the act, amended July 9, 1992
22 (P.L.414, No.89), is amended to read:

23 Section 823. Account Insurance.--(a) Each association
24 subject to this act shall obtain insurance of accounts as soon
25 as the association can qualify for such coverage as provided by
26 the [Federal Savings and Loan Insurance Corporation or by any
27 other public or private corporation authorized by law to insure
28 accounts of savings associations and approved by the Department
29 of Banking.] Federal Deposit Insurance Corporation or the
30 National Credit Union Administration. ~~Notwithstanding any~~ <—

~~provision of law to the contrary, no association may conduct the business of an association after September 30, 1998, unless its deposits are insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration.~~

~~(a.1) A corporation insured association shall receive a~~

(A.1) NOTWITHSTANDING ANY PROVISION TO THE CONTRARY, NO ASSOCIATION MAY CONDUCT THE BUSINESS OF AN ASSOCIATION AFTER THIRTY MONTHS FROM THE EFFECTIVE DATE OF THIS SUBSECTION, UNLESS ITS DEPOSITS ARE INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR NATIONAL CREDIT UNION ADMINISTRATION.

(A.2) A PSAIC INSURED ASSOCIATION SHALL RECEIVE A refund of its capital deposit, to the extent that it exists, from the corporation PSAIC pursuant to the following conditions:

(1) An association, which files an application for Federal deposit insurance with the Federal Deposit Insurance Corporation no later than September 30, 1997 EIGHTEEN MONTHS FROM THE EFFECTIVE DATE OF THIS SUBSECTION, and which application is deemed to be substantially complete by the Federal Deposit Insurance Corporation, at such time as the association shall withdraw from the corporation PSAIC.

(2) An association which, no later than September 30, 1997 EIGHTEEN MONTHS FROM THE EFFECTIVE DATE OF THIS SUBSECTION, files an application with the department pursuant to Article XI and/or any appropriate Federal regulator to merge or consolidate with an existing federally insured institution, and which application is deemed to be substantially complete by the department and/or any appropriate Federal regulator, at such time as the association withdraws from the corporation PSAIC.

(3) An association which files a certificate of election to dissolve no later than September 30, 1997 EIGHTEEN MONTHS FROM

1 THE EFFECTIVE DATE OF THIS SUBSECTION, at such time as the
2 association withdraws from the ~~corporation~~ PSAIC. <—

3 (4) An association which files an application to merge or
4 convert pursuant to the provisions of section 1101.1, and which
5 application is deemed to be substantially complete by the
6 department and/or any appropriate Federal regulator no later
7 than ~~September 30, 1997~~ EIGHTEEN MONTHS FROM THE EFFECTIVE DATE <—
8 OF THIS SUBSECTION, at such time as the association shall
9 withdraw from the ~~corporation~~ PSAIC. <—

10 (5) An association which fails to file a substantially
11 complete application for Federal deposit insurance with the
12 Federal Deposit Insurance Corporation or fails to file a
13 substantially complete application to merge or consolidate with
14 a federally insured institution or fails to file a substantially
15 complete application to merge with or convert to a credit union
16 pursuant to section 1101.1 or fails to file a certificate of
17 election to dissolve no later than ~~September 30, 1997~~ EIGHTEEN <—
18 MONTHS FROM THE EFFECTIVE DATE OF THIS SUBSECTION, shall receive
19 a refund of its capital deposit to the extent that it exists
20 pursuant to the provisions of section 823.2(c).

21 ~~(a.2) Upon a corporation~~ (A.3) UPON A PSAIC insured <—
22 association's application to the department, the deadline for
23 obtaining Federal insurance as set forth in subsection (a) may
24 be extended ~~up to ninety days~~ FOR A PERIOD DEEMED APPROPRIATE BY <—
25 THE DEPARTMENT. The department's discretion in granting the
26 extension shall be based on whether:

27 (1) The association has filed an application for extension
28 of THE DEADLINE at least thirty days prior to the deadline set <—
29 forth in subsection (a).

30 (2) The association has complied with the filing

1 requirements of this section.

2 (3) The association is in compliance with all other
3 provisions of this act.

4 (4) The department determines that the association has been
5 diligent in fulfilling its obligations under this act.

6 (5) The department determines that the association has
7 replied in a timely fashion to all reasonable requests for
8 information from any regulatory agency.

9 (6) Other compelling reasons relative to this act which the
10 department deems appropriate.

11 (b) An association which is not insured or which loses its
12 insurance may become the subject of a charter revocation
13 proceeding by the department.

14 Section 3. The act is amended by adding sections to read:

15 Section 823.1. Dissolution.--Notwithstanding section 1207, a
16 ~~corporation~~ PSAIC insured association which fails to file a <—
17 substantially complete application for Federal insurance of its
18 accounts as an insured institution or an application with the
19 department or any Federal banking regulator as required by law
20 for merger with an existing federally insured institution or an
21 application to merge with or convert to a credit union within
22 the time period set forth in section 823 may be subject to the
23 imposition of a plan of dissolution by the department. The
24 distribution of assets shall be in accordance with section 1208.
25 Additionally, the department may appoint a conservator to the
26 association who shall have full authority to wind up the affairs
27 of the association, including filing dissolution documents with
28 the department or other relevant agency. The board of directors
29 and the members shall have no authority upon appointment of a
30 conservator.

1 Section 823.2. ~~Corporation~~ PSAIC.--(a) Notwithstanding any <—
2 provision of law to the contrary, including, without limitation,
3 the provisions of the act of April 6, 1979 (P.L.17, No.5),
4 referred to as the Pennsylvania Savings Association Insurance
5 Corporation Act, or any bylaws, rules or regulations issued
6 pursuant thereto, a ~~corporation~~ PSAIC insured association which <—
7 complies with the filing requirements of section 823 shall
8 withdraw from the ~~corporation~~ PSAIC by providing written notice <—
9 of withdrawal to the board of directors of the ~~corporation~~ <—
10 PSAIC, and shall receive a refund of the association's capital <—
11 deposit to the extent that it exists within ~~thirty~~ SIXTY days of <—
12 the written notice.

13 (b) Notwithstanding any provision of the Pennsylvania
14 Savings Association Insurance Corporation Act or any law to the
15 contrary, in addition to the eight directors elected by the
16 member associations as provided in section 4(a) of the
17 Pennsylvania Savings Association Insurance Corporation Act, the
18 directors may, ~~no later than September 30, 1997,~~ appoint five <—
19 additional directors of the ~~corporation~~ PSAIC, subject to a <—
20 thirty-day period of nonobjection by the department, to
21 represent the public interest and serve for a term of four years
22 or until replaced. The terms shall commence on the date of the
23 first meeting of the board of directors held following their
24 appointment. Any director so appointed shall not be affiliated,
25 either directly or indirectly, with any ~~corporation~~ PSAIC member <—
26 association; shall have a general knowledge of savings and loan
27 associations; shall be a registered voter of and shall reside in
28 this Commonwealth. Any vacancy occurring in the term of any
29 director shall be filled by the directors within sixty days.

30 (c) Notwithstanding any provision of the Pennsylvania

1 Savings Association Insurance Corporation Act or any other law
2 to the contrary, the board of directors of the ~~corporation~~ PSAIC <—
3 shall proceed to dissolve the ~~corporation~~ PSAIC under 15 Pa.C.S. <—
4 Ch. 59 Subch. F (relating to voluntary dissolution and winding
5 up) at such time when all member associations have withdrawn
6 from the ~~corporation~~ PSAIC, by the adoption of a resolution. At <—
7 such time, the board of directors of the ~~corporation~~ PSAIC may <—
8 elect to reimburse the capital deposit of an association which
9 did not comply with the provisions of section 823. At such time
10 that the ~~corporation~~ PSAIC has no outstanding liabilities, the <—
11 ~~corporation~~ PSAIC may distribute its retained earnings to the <—
12 associations which were members of the ~~corporation~~ PSAIC on June <—
13 30, 1996. The retained earnings of the ~~corporation~~ PSAIC shall <—
14 be distributed on a pro rata basis. The pro rata distribution
15 shall be calculated by dividing an association's capital deposit
16 liabilities as of June 30, 1996, by the total capital deposits
17 of all associations belonging to the ~~corporation~~ PSAIC on June <—
18 30, 1996.

19 Section 4. Section 1101 of the act is amended by adding a
20 subsection to read:

21 Section 1101. Mergers, Consolidations, Conversions and
22 Reorganizations.--* * *

23 (b.3) Notwithstanding any law to the contrary, upon
24 compliance with the requirements of this article, and any other
25 law, one or more associations with savings accounts insured by
26 the ~~corporation~~ PSAIC may merge or consolidate into a bank, bank <—
27 and trust company, savings bank, or interstate bank as those
28 terms are defined in section 102 of the act of November 30, 1965
29 (P.L.847, No.356), known as the Banking Code of 1965, or a
30 national bank.

Section 5. The act is amended by adding a section to read:

Section 1101.1. Credit Union Merger and Conversion

~~Procedures for Corporation~~ PSAIC Insured Associations.--(a) A <—
~~corporation~~ PSAIC insured association which files an application <—
to merge or convert into a credit union may merge or convert
with the approval of the department. The department shall impose
reasonable conditions and requirements on the association
relating to the merger with or conversion to a credit union,
including, but not limited to, the following:

(1) The ~~members of the~~ association shall approve the merger <—
or conversion plan by the affirmative vote of two-thirds of the
entire membership of the board of directors of the association, <—
~~written notice to all association members~~ and such vote of the
members as the department may require.

(2) The department shall approve the merger or conversion
plan.

(3) The merging or converting association must qualify for
share insurance by the National Credit Union Administration
Share Program.

(b) Upon receipt of an application for approval of merger or
conversion, the department shall conduct such investigation as
it may deem necessary in order to ensure that the merger or
conversion would be consistent with adequate and sound credit
union practices and in the public interest.

(c) If the department approves the articles of merger or
conversion, it shall register its approval thereon and shall
forthwith forward the articles to the Department of State for
filing. As of the filing of the articles in the Department of
State, the merger or conversion shall be effective, and the
existence of the association shall cease as a separate entity

1 but shall continue in, and the parties to the plan shall be, a
2 single corporation which shall be the resulting credit union and
3 which shall have without further act or deed all property,
4 rights, powers, duties and obligations of each party to the
5 plan.

6 (d) The membership of the resulting credit union may permit
7 individuals who, at the time of merger or conversion, were
8 members, savings account holders, directors, officers, employees
9 or borrowers of the association to become members of the
10 resulting credit union.

11 (e) Rights of dissenting members shall be determined
12 pursuant to section 1109.

13 (f) Notwithstanding any provision of this act to the
14 contrary, a credit union which results from a merger or
15 conversion is permitted to hold assets of the association even
16 though such assets do not conform with the requirements of this
17 act. However, except with the permission of the Secretary of
18 Banking, the credit union must divest itself of all assets which
19 do not conform with the requirements of this act within five
20 years of the effective date of the merger or conversion.

21 Section 6. Section 1602 of the act is amended to read:

22 Section 1602. Specific Repeals.--(a) The following acts and
23 all amendments thereof are hereby repealed absolutely.

24 (1) The act of May 5, 1933 (P.L.457), known as the "Building
25 and Loan Code."

26 (2) The act of June 24, 1939 (P.L.746), entitled "An act
27 authorizing Federal savings and loan associations to issue share
28 accounts in the name of certain minors and in the joint names of
29 two or more persons, and validating the acquittances of such
30 minors and validating the acquittances of either person in a

1 joint account, under certain conditions; and outlining the
2 procedure for the payment of share accounts issued in the name
3 of a trustee following the death of the trustee."

4 (3) The act of April 6, 1979 (P.L.17, No.5), referred to as
5 the Pennsylvania Savings Association Insurance Corporation Act.

6 (b) The following parts of acts are hereby repealed to the
7 extent specified:

8 (1) Sections 301, 401A, 402B, 501A, 501B, 501C, 503A, 503C
9 and 1011B of the act of May 15, 1933 (P.L.565), known as the
10 "Department of Banking Code," as applicable to savings
11 associations, savings and loan associations and building and
12 loan associations.

13 (2) Section 504B of the act of May 15, 1933 (P.L.565,
14 No.111), known as the "Department of Banking Code," is repealed
15 insofar as it applies to nonfederally insured savings
16 associations.

17 (3) Section 4(b) of the act of April 6, 1979 (P.L.17, No.5),
18 referred to as the Pennsylvania Savings Association Insurance
19 Corporation Act, is repealed.

20 Section 7. This act shall take effect as follows:

21 (1) The amendment of section 1602(a)(3) of the act shall
22 take effect on the date of filing of articles of dissolution
23 as provided for in section 823.2 of the act.

24 (2) The remainder of this act shall take effect
25 immediately.