

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 95

Session of  
1997

INTRODUCED BY HOLL, JANUARY 21, 1997

AS REPORTED FROM COMMITTEE ON COMMERCE AND ECONOMIC DEVELOPMENT,  
HOUSE OF REPRESENTATIVES, AS AMENDED, OCTOBER 20, 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

1 1967, added April 9, 1982 (P.L.334, No.94), is amended and the  
2 section is amended by adding clauses to read:

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

6 \* \* \*

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

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

16 \* \* \*

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

21 \* \* \*

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

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

National Credit Union Administration.

(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 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 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 PSAIC.

(2) An association which, no later than 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 PSAIC.

(3) An association which files a certificate of election to dissolve no later than eighteen months from the effective date of this subsection, at such time as the association withdraws from the PSAIC.

(4) An association which files an application to merge or convert pursuant to the provisions of section 1101.1, and which application is deemed to be substantially complete by the

department and/or any appropriate Federal regulator no later than eighteen months from the effective date of this subsection, at such time as the association shall withdraw from the PSAIC.

(5) An association which fails to file a substantially complete application for Federal deposit insurance with the Federal Deposit Insurance Corporation or fails to file a substantially complete application to merge or consolidate with a federally insured institution or fails to file a substantially complete application to merge with or convert to a credit union pursuant to section 1101.1 or fails to file a certificate of election to dissolve no later than eighteen months from the effective date of this subsection, shall receive a refund of its capital deposit to the extent that it exists pursuant to the provisions of section 823.2(c).

(a.3) Upon a PSAIC insured association's application to the department, the deadline for obtaining Federal insurance as set forth in subsection (a) may be extended for a period deemed appropriate by the department. The department's discretion in granting the extension shall be based on whether:

(1) The association has filed an application for extension of the deadline at least thirty days prior to the deadline set forth in subsection (a).

(2) The association has complied with the filing requirements of this section.

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

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

(5) The department determines that the association has replied in a timely fashion to all reasonable requests for

1 information from any regulatory agency.

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

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

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

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

24 Section 823.2. PSAIC.--(a) Notwithstanding any provision of  
25 law to the contrary, including, without limitation, the  
26 provisions of the act of April 6, 1979 (P.L.17, No.5), referred  
27 to as the Pennsylvania Savings Association Insurance Corporation  
28 Act, or any bylaws, rules or regulations issued pursuant  
29 thereto, a PSAIC insured association which complies with the  
30 filing requirements of section 823 shall withdraw from the PSAIC

by providing written notice of withdrawal to the board of directors of the PSAIC, and shall receive a refund of the association's capital deposit to the extent that it exists within sixty days of the written notice.

(b) Notwithstanding any provision of the Pennsylvania Savings Association Insurance Corporation Act or any law to the contrary, in addition to the eight directors elected by the member associations as provided in section 4(a) of the Pennsylvania Savings Association Insurance Corporation Act, the directors may appoint five additional directors of the PSAIC, subject to a thirty day period of nonobjection by the department, to CONTRARY, ALL OF THE PSAIC CORPORATE POWERS SHALL BE EXERCISED BY A BOARD OF DIRECTORS, THE NUMBER AND QUALIFICATIONS OF WHICH SHALL BE ESTABLISHED BY THE PSAIC'S BYLAWS. IN ADDITION TO THE DIRECTORS ELECTED BY THE MEMBER ASSOCIATIONS AS PROVIDED IN THE BYLAWS OF THE PSAIC, THE DIRECTORS SHALL APPOINT UP TO FIVE ADDITIONAL DIRECTORS OF THE PSAIC AT SUCH TIME AS THE DEPARTMENT DEEMS APPROPRIATE, SUBJECT TO WRITTEN APPROVAL OF EACH ADDITIONAL DIRECTOR BY THE DEPARTMENT WITHIN SIXTY DAYS OF RECEIPT BY THE DEPARTMENT OF WRITTEN NOTICE FROM THE PSAIC THAT IT HAS SELECTED SUCH A DIRECTOR. THE FIVE ADDITIONAL DIRECTORS OF THE PSAIC SHALL represent the public interest and serve for a term of four years or until replaced. The terms shall commence on the date of the first meeting of the board of directors held following their appointment. Any director so appointed shall not be affiliated, either directly or indirectly, with any PSAIC member association; shall have a general knowledge of savings and loan associations; shall be a registered voter of and shall reside in this Commonwealth. Any vacancy occurring in the term of any

1 director shall be filled by the directors within sixty days.

2 (c) Notwithstanding any provision of the Pennsylvania  
3 Savings Association Insurance Corporation Act or any other law  
4 to the contrary, the board of directors of the PSAIC shall  
5 proceed to dissolve the PSAIC under 15 Pa.C.S. Ch. 59 Subch. F  
6 (relating to voluntary dissolution and winding up) at such time  
7 when all member associations have withdrawn from the PSAIC, by  
8 the adoption of a resolution. At such time, the board of  
9 directors of the PSAIC may elect to reimburse the capital  
10 deposit of an association which did not comply with the  
11 provisions of section 823. At such time that the PSAIC has no  
12 outstanding liabilities, the PSAIC may distribute its retained  
13 earnings to the associations which were members of the PSAIC on  
14 June 30, 1996. The retained earnings of the PSAIC shall be  
15 distributed on a pro rata basis. The pro rata distribution shall  
16 be calculated by dividing an association's capital deposit  
17 liabilities as of June 30, 1996, by the total capital deposits  
18 of all associations belonging to the PSAIC on June 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 PSAIC may merge or consolidate into a bank, bank and trust  
27 company, savings bank, or interstate bank as those terms are  
28 defined in section 102 of the act of November 30, 1965 (P.L.847,  
29 No.356), known as the Banking Code of 1965, or a national bank.

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

Section 1101.1. Credit Union Merger and Conversion

Procedures for PSAIC Insured Associations.--(a) A 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 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 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 but shall continue in, and the parties to the plan shall be, a single corporation which shall be the resulting credit union and



1 which shall have without further act or deed all property,  
2 rights, powers, duties and obligations of each party to the  
3 plan.

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

9 (e) Rights of dissenting members shall be determined  
10 pursuant to section 1109.

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

19 ~~Section 6. Section 1602 of the act is amended to read:~~ <—

20 SECTION 6. SECTIONS 1401(A) AND 1602 OF THE ACT ARE AMENDED <—  
21 TO READ:

22 SECTION 1401. EXAMINATIONS AND REPORTS.--(A) THE DEPARTMENT  
23 SHALL EXAMINE ALL ASSOCIATIONS AT LEAST ONCE [EACH YEAR] EVERY  
24 TWO CALENDAR YEARS AND MAY EXAMINE ANY ASSOCIATION MORE  
25 FREQUENTLY AND AT ANY TIME IT DEEMS SUCH ACTION NECESSARY OR  
26 DESIRABLE FOR PROTECTION OF MEMBERS OR CREDITORS. THE  
27 EXAMINATION SHALL INCLUDE A REVIEW OF THE ACCOUNTS, RECORDS AND  
28 AFFAIRS OF THE ASSOCIATION, ITS COMPLIANCE WITH LAW AND SUCH  
29 OTHER MATTERS AS THE DEPARTMENT MAY DETERMINE. FOR THIS PURPOSE  
30 THE DEPARTMENT MAY EXAMINE A PERSON WHICH IS PERFORMING SERVICES

1 FOR AN ASSOCIATION.

2 \* \* \*

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

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

7 (2) The act of June 24, 1939 (P.L.746), entitled "An act  
8 authorizing Federal savings and loan associations to issue share  
9 accounts in the name of certain minors and in the joint names of  
10 two or more persons, and validating the acquittances of such  
11 minors and validating the acquittances of either person in a  
12 joint account, under certain conditions; and outlining the  
13 procedure for the payment of share accounts issued in the name  
14 of a trustee following the death of the trustee."

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

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

19 (1) Sections 301, 401A, 402B, 501A, 501B, 501C, 503A, 503C  
20 and 1011B of the act of May 15, 1933 (P.L.565), known as the  
21 "Department of Banking Code," as applicable to savings  
22 associations, savings and loan associations and building and  
23 loan associations.

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

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

<—

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

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

5           (2)   The remainder of this act shall take effect  
6       immediately.