

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2409 Session of  
1980

INTRODUCED BY L. E. SMITH, BENNETT, DeVERTER AND SPENCER,  
MARCH 25, 1980

REFERRED TO COMMITTEE ON BUSINESS AND COMMERCE, MARCH 25, 1980

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 provisions  
18 relating to the Pennsylvania Savings Association Insurance  
19 Corporation.

20 The General Assembly of the Commonwealth of Pennsylvania  
21 hereby enacts as follows:

22 Section 1. Clause (12) of section 102, act of December 14,  
23 1967 (P.L.746, No.345), known as the "Savings Association Code  
24 of 1967," is amended to read:

25 Section 102. Definitions.--The following words and phrases  
26 when used in this act shall have, unless the context clearly

1 indicates otherwise, the meanings given to them in this section:

2 \* \* \*

3 (12) "Insured association," an association whose savings are  
4 insured as provided by the National Housing Act of 1934,  
5 approved the twenty-seventh day of June, 1934, its amendments  
6 and supplements or by the Pennsylvania Savings Association  
7 Insurance Corporation established by the act of April 6, 1979  
8 (No.5), entitled, "An act establishing the Pennsylvania Savings  
9 Association Insurance Corporation and providing for its powers  
10 and duties."

11 \* \* \*

12 Section 2. Subsection (a) of section 612 of the act is  
13 amended by adding a clause to read:

14 Section 612. Disclosure of Information Concerning  
15 Accounts.--(a) Record books and accounts of associations are  
16 private and confidential and the contents thereof may not be  
17 divulged by any officer, director or employe of the association  
18 except to:

19 \* \* \*

20 (5) Authorized representatives of the Pennsylvania Savings  
21 Association Insurance Corporation.

22 \* \* \*

23 Section 3. Clauses (5), (12), (16) and (23) of subsection  
24 (a) of section 701 of the act, clause (5) and (12) amended and  
25 clause (23) added July 30, 1975 (P.L.105, No.55), are amended to  
26 read:

27 Section 701. Powers of Associations.--(a) Every association  
28 incorporated pursuant to or operating under the provisions of  
29 this code shall have all of the powers enumerated, authorized,  
30 and permitted by this code and such other rights, privileges and

1 powers as may be incidental to or reasonably necessary or  
2 appropriate for the accomplishment of the objects and purposes  
3 of the association. Among others, and except as otherwise  
4 limited by the provisions of this code, every association shall  
5 have the following powers:

6 \* \* \*

7 (5) An association may borrow from the Federal Home Loan  
8 Bank such sums as are permitted by the rules and regulations of  
9 the Federal Home Loan Bank and such borrowings shall be in  
10 accordance with such rules and regulations as may be prescribed  
11 by the Federal Home Loan Bank. An association may borrow from  
12 the Pennsylvania Savings Association Insurance Corporation such  
13 sums as are permitted by the rules and regulations of the  
14 Pennsylvania Savings Association Insurance Corporation and such  
15 borrowings shall be in accordance with such rules and  
16 regulations as may be prescribed by the Pennsylvania Savings  
17 Association Insurance Corporation. An association may borrow  
18 from sources individual or corporate, an aggregate amount not in  
19 excess of fifty percent of its savings liability. An insured  
20 association shall also have the right to issue notes, bonds,  
21 debentures and other securities in accordance with such rules  
22 and regulations as are prescribed by the Federal Savings and  
23 Loan Insurance Corporation and the Department of Banking. Loans  
24 and other evidences of indebtedness may be secured by assets of  
25 the association. The pledge of assets may be with recourse. When  
26 authorized by statute, an association may also pledge its assets  
27 for public fund deposits to the extent the same are not insured.

28 \* \* \*

29 (12) To act as trustee of funds or contributions received  
30 under a trust plan or instrument prepared in accordance with the

1 requirements of the Self Employed Individuals Tax Retirement Act  
2 of 1962, its amendments and supplements, and the regulations  
3 promulgated thereunder, and the Employee Retirement System  
4 Income Security Act of 1974, its amendments and supplements, and  
5 the regulations promulgated thereunder, and as such trustee to  
6 invest such funds or contributions only in savings accounts,  
7 deposits, obligations and securities of the association which is  
8 insured by the Federal Savings and Loan Insurance Corporation  
9 pursuant to the provisions of the National Housing Act, its  
10 amendments and supplements or by the Pennsylvania Savings  
11 Association Insurance Corporation established by the act of  
12 April 6, 1979 (No.5), entitled "An act establishing the  
13 Pennsylvania Savings Association Insurance Corporation and  
14 providing for its powers and duties."

15 \* \* \*

16 [(16) To become an insured savings association under the  
17 insurance provisions of national housing legislation either by  
18 the Federal Savings and Loan Insurance Corporation or by any  
19 other Federal agency authorized by law to insure accounts of  
20 savings associations and to take all actions incident to  
21 maintenance of an insured status thereunder.]

22 \* \* \*

23 (23) An insured association issuing mortgage backed bonds  
24 may reinvest the accumulated principal payments on the mortgage  
25 collateral under regulations prescribed by the Federal Savings  
26 and Loan Insurance Corporation, or the Pennsylvania Savings  
27 Association Insurance Corporation, or may establish a sinking  
28 fund with the accumulated principal payments on the mortgage  
29 collateral. Such sinking fund investments shall be in bonds or  
30 other interest bearing obligations of the United States, or

1 those for the payment of the principal and interest on which the  
2 faith and credit of the United States is pledged.

3 \* \* \*

4 Section 4. Subsection (c) of section 804 of the act, added  
5 November 26, 1978 (P.L.1397, No.329), is amended and subsections  
6 are added to read:

7 Section 804. Types of Savings Contracts.--\* \* \*

8 (c) [The] Subject to the limitations of subsection (d) of  
9 this section, the regular savings accounts in any association  
10 which is insured by the Pennsylvania Savings Association  
11 Insurance Corporation shall be subject to the limitation that  
12 earnings on savings accounts [opened after the effective date of  
13 this act] shall not be in excess of the annual rate of earnings  
14 paid for the four quarters preceding June 1, 1980, or for the  
15 four quarters preceding the date on which insurance of savings  
16 accounts of an association is effective, whichever is earlier;  
17 or that permitted to be paid by [any] Pennsylvania chartered  
18 savings [association] associations insured by the Federal  
19 Savings and Loan Insurance Corporation whichever is the greater.  
20 [An association may continue to pay any account holder of record  
21 on the effective date of this act on whose account annual  
22 earnings for the four quarters preceding June 1, 1978 exceed the  
23 maximum permitted on accounts of associations insured by the  
24 Federal Savings and Loan Insurance Corporation, earnings not in  
25 excess of that permitted to be paid by Pennsylvania chartered  
26 savings associations insured by the Federal Savings and Loan  
27 Insurance Corporation, or the annual earnings paid for the four  
28 quarters preceding June 1, 1978, whichever is the greater.]  
29 There is [further] excepted from the foregoing limitation any  
30 [class of] serial installment accounts offered by an

1 association. [as of June 1, 1978. The earnings paid on such  
2 serial installment accounts opened after the effective date of  
3 this act may be paid at a rate not higher than the greater of  
4 earnings paid at the annual rate on the same class of serial  
5 installment accounts for the four quarters preceding June 1,  
6 1978 or that permitted to be paid by Pennsylvania chartered  
7 savings associations insured by the Federal Savings and Loan  
8 Insurance Corporation.] The Secretary of Banking shall issue  
9 regulations defining serial installment accounts and regular  
10 savings accounts.

11 (d) As of three years from the effective date of this  
12 amendatory act, the rates of earnings on savings accounts issued  
13 by any association insured by the Pennsylvania Savings  
14 Association Insurance Corporation may not exceed the rates  
15 permitted to be paid by Pennsylvania chartered savings  
16 associations insured by the Federal Savings and Loan Insurance  
17 Corporation.

18 (e) Higher rate savings accounts issued subsequent to the  
19 date of this amendatory act by an association insured by the  
20 Pennsylvania Savings Association Insurance Corporation shall be  
21 subject to the limitation that rates of earnings on such  
22 accounts shall not be in excess of that permitted to be paid by  
23 Pennsylvania chartered savings associations insured by the  
24 Federal Savings and Loan Insurance Corporation. The Secretary of  
25 Banking shall issue regulations defining higher rate savings  
26 accounts.

27 (f) On the effective date of this amendatory act, any  
28 association paying a rate of earnings on higher rate savings  
29 accounts in excess of that permitted to be paid by associations  
30 insured by the Federal Savings and Loan Insurance Corporation

1 shall reduce, at the earliest date permissible under existing  
2 savings account contracts, the rate of earnings to those which  
3 are no higher than the rate of earnings permitted to be paid on  
4 the same classes of higher rate savings accounts by associations  
5 insured by the Federal Savings and Loan Insurance Corporation.

6 Section 5. Subsection (b) of section 823 of the act, added  
7 November 26, 1978 (P.L.1397, No.329), is amended to read:

8 Section 823. Account Insurance.--\* \* \*

9 (b) After December 31, 1980, an association subject to this  
10 act which has not obtained insurance of accounts as prescribed  
11 in subsection (a) shall not accept further funds from savings  
12 account holders or create new savings accounts unless, prior to  
13 January 1, 1981, an application for insurance of its savings  
14 accounts has been filed with a public or private corporation  
15 authorized by law to insure accounts of savings associations or  
16 an application for merger under which an insured association  
17 shall be the resulting association has been filed with, as  
18 required, the department, the Pennsylvania Savings Association  
19 Insurance Corporation, the Federal Home Loan Bank Board or the  
20 Federal Savings and Loan Insurance Corporation. If such  
21 application is disapproved by the department, the Federal Home  
22 Loan Bank Board, on behalf of the Federal Savings and Loan  
23 Insurance Corporation, or the Pennsylvania Savings Association  
24 Insurance Corporation subsequent to December 31, 1980, the  
25 uninsured association, immediately upon notification of such  
26 action, shall cease to accept further funds from savings account  
27 holders and shall not create new savings accounts.

28 Section 6. This act shall take effect immediately.