

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 153

Session of
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INTRODUCED BY MESSRS. L. E. SMITH, BENNETT, WILT, MADIGAN,
SPENCER, POLITE, DORR AND GRIECO, FEBRUARY 6, 1979

AS RE-REPORTED FROM COMMITTEE ON APPROPRIATIONS, HOUSE OF
REPRESENTATIVES, AS AMENDED, MARCH 7, 1979

AN ACT

1 Establishing the Pennsylvania Savings Association Insurance
2 Corporation and providing for its powers and duties.

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6 The General Assembly of the Commonwealth of Pennsylvania
7 hereby enacts as follows:

8 Section 1. Definitions.

9 The following words and phrases when used in this act shall
10 have, unless the context clearly indicates otherwise, the
11 meanings given to them in this section:

12 "Association." Any building, savings or savings and loan
13 association organized under the laws of this Commonwealth and
14 any Federal savings and loan association incorporated pursuant
15 to the Federal act of June 13, 1933, (48 Stat.128), known as the
16 "Home Owners' Loan Act of 1933," which has its principal office
17 in this Commonwealth and 75% of its total assets invested in
18 this Commonwealth.

19 "Corporation." The Pennsylvania Savings Association
20 Insurance Corporation.

21 "Directors" or "board of directors." The Board of Directors
22 of the Pennsylvania Savings Association Insurance Corporation.

23 "Savings account." Any sum of money deposited with an
24 association in exchange for a promise to pay interest or
25 earnings to or for the account of the depositors.

26 Section 2. Pennsylvania Savings Association Insurance
27 Corporation.

28 A nonstock, nonprofit corporation is hereby created, which
29 shall be known as the Pennsylvania Savings Association Insurance
30 Corporation and the members of which shall be certain eligible

1 associations of this Commonwealth as defined in section 1.
2 Except as otherwise provided in this act, the corporation
3 possesses all the powers, privileges and immunities which now
4 are or hereafter may be conferred on corporations by the General
5 Corporation Law applicable to corporations organized thereunder.
6 Section 3. Purposes and powers.

7 (a) Purposes.--The purposes of the corporation are to
8 promote the elasticity and flexibility of the resources of
9 member associations, to provide for the liquidity of such
10 associations through a central reserve fund and to insure the
11 savings accounts in such associations.

12 (b) Powers.--In furtherance of these purposes the
13 corporation has the following powers:

14 (1) To provide for the liquidity of member associations
15 through the creation of a central reserve fund for the
16 purpose of making loans to member associations. The central
17 reserve fund shall not be subject to payment of insurance
18 claims against the corporation by member associations or
19 their account holders or otherwise.

20 (2) To insure the savings accounts in member
21 associations through the creation of a central insurance
22 fund, which fund shall consist of capital contributions by
23 each member in an amount equal to not less than 2% of the
24 total savings on deposit with each member.

25 (3) To borrow money and otherwise incur indebtedness for
26 any of its purposes; to issue its bond, debentures, notes or
27 other evidences of indebtedness, whether secured or
28 unsecured, therefor; and to secure the same by mortgage,
29 pledge, deed of trust or other lien on its property, rights
30 and privileges of every kind and nature or any part thereof.

1 (4) To lend money to, and to guarantee, endorse or act
2 as surety on the bonds, notes, contracts or other obligations
3 of or otherwise assist financially, any member association;
4 and to establish and regulate the terms and conditions with
5 respect to any such loans or financial assistance and the
6 charges for interest and service connected therewith.

7 (5) To purchase, receive, hold, lease or otherwise
8 acquire and to sell, convey, mortgage, lease, pledge or
9 otherwise dispose of, upon such terms and conditions as its
10 board of directors may deem advisable, real and personal
11 property, together with such rights and privileges as may be
12 incidental and appurtenant thereto and the use thereof,
13 including, but not restricted to, any real or personal
14 property acquired by the corporation from time to time in the
15 satisfaction of debts or enforcement of obligations.

16 (6) To invest any of its funds, upon proper
17 authorization thereof by the board of directors, in any of
18 the following:

19 (i) Cash or deposits in checking or savings
20 accounts, or under certificates of deposit in National or
21 State banking institutions, to the extent that such
22 accounts are insured by the Federal Deposit Insurance
23 Corporation. This condition regarding Federal insurance
24 shall not apply to investments in certificates of deposit
25 when such condition would result in a lower interest rate
26 than would otherwise be available.

27 (ii) Savings accounts in associations to the extent
28 that such accounts are insured by the Federal Savings and
29 Loan Insurance Corporation.

30 (iii) Interest bearing bonds, notes, certificates of

1 indebtedness, bills or other obligations of the United
2 States, any state or the District of Columbia, or of any
3 commission, instrumentality, agency, authority or
4 political subdivision of the United States, any state or
5 the District of Columbia, having legal authority to issue
6 the same.

7 (iv) Interest bearing bonds, notes or other interest
8 bearing obligations of any corporation created or
9 existing under the laws of the United States, any state
10 or the District of Columbia.

11 (v) Dividend paying stocks or shares having readily
12 marketable values of any corporation created or existing
13 under the laws of the United States or of any state. The
14 board of directors may not invest more than 10% of its
15 total assets in such stocks, nor more than 3% of its
16 total assets in the stock of any one corporation.

17 (vi) Loans secured by first mortgages or deeds of
18 trust on otherwise unencumbered fee simple real estate or
19 improved leasehold property in this Commonwealth.

20 (vii) Ground rents in this Commonwealth.

21 (viii) Collateral loans secured by pledge of any
22 security hereinabove named.

23 (ix) Direct loans to member associations under the
24 terms and conditions established therefor by the board of
25 directors.

26 (7) To exercise all other corporate powers granted by
27 general law to corporations in this Commonwealth which are
28 not inconsistent herewith and which are necessary or
29 appropriate to the purposes hereof.

30 (c) Accumulated earnings.--The earnings shall be accumulated

1 by the corporation and no part thereof shall be returned to
2 member associations. The provisions of this subsection shall not
3 prohibit the payment of interest by the corporation to member
4 associations which have made deposits, loans or advances to the
5 central reserve fund.

6 Section 4. Board of directors.

7 (a) Directors elected by member associations.--All of the
8 corporate powers of the corporation shall be exercised by a
9 board of directors, composed of 11 members who initially shall
10 be appointed by the Governor within 60 days of the effective
11 date of this act with the advice of the Secretary of Banking,
12 and who shall serve until the first annual meeting. After a
13 minimum of 25 associations have become members of the
14 corporation, the first annual meeting of the corporation shall
15 be held, and the member associations of the corporation shall
16 elect eight directors, each of whom shall be a registered voter
17 of and shall reside in this Commonwealth. Of the directors
18 elected at the first annual meeting, three shall be elected for
19 terms of two years each, three shall be elected for terms of
20 three years each and two shall be elected for terms of four
21 years each, and thereafter all terms shall be for four years
22 each.

23 (b) Directors appointed by Governor.--In addition to the
24 eight directors elected by the member associations as provided
25 in subsection (a), the Governor shall, with the advice of the
26 Secretary of Banking, appoint three directors of the
27 corporation, one for a term of two years, one for a term of
28 three years and one for a term of four years. The terms shall
29 commence on the date of the first annual meeting of the
30 corporation, and thereafter all terms shall be for four years.

1 Any director so appointed shall be a registered voter of and
2 shall reside in this Commonwealth.

3 (c) Vacancies.--If any vacancy occurs in the membership of
4 any director elected by the members of the corporation, through
5 death, resignation or otherwise, the remaining directors shall
6 within 60 days elect a person to fill the vacancy of the
7 unexpired term. Any vacancy occurring in the term of director
8 appointed by the Governor shall be filled by the Governor within
9 60 days, with the advice of the Secretary of Banking, for the
10 unexpired term. Upon the expiration of the term of any director,
11 he shall continue as such until his successor has been elected
12 or appointed and has qualified.

13 (d) Quorum.--Six members of the board of directors are a
14 quorum at any meeting thereof.

15 (e) Voting.--In the election of directors and in voting on
16 any other matter legally to come before a meeting of the
17 corporation, each member association of the corporation has one
18 vote, to be cast by a delegate authorized to act by that
19 association. A delegate may not vote on behalf of more than one
20 member association. A majority of the votes so cast shall elect
21 directors or determine any question put to a vote.

22 (f) Compensation.--The directors of the corporation may
23 receive such reasonable compensation FROM THE FUNDS OF THE
24 CORPORATION as may be determined by the board of directors.

25 (g) Surety bonds of officers and employees.--The directors
26 of the corporation shall fix the amount of the surety bonds of
27 the officers and employees of the corporation conditioned upon
28 the faithful performance of their duties, as provided in the
29 bylaws of the corporation.

30 Section 5. Qualifications for membership in corporation.

1 (a) General rule.--

2 (1) The membership of the corporation consists of those
3 associations:

4 (i) the quality and soundness of whose financial
5 affairs, solvency, management and directorship have been
6 certified to the corporation in an expeditious manner, as
7 approved for insurance of savings accounts, by the
8 Secretary of Banking; and

9 (ii) which have thereupon filed a formal application
10 for membership accepted by the board of directors, which
11 acceptance shall not be denied except for good cause
12 shown regarding the quality and soundness of their
13 financial affairs, solvency, management or directorship.

14 (2) The corporation may accept an applicant for
15 membership subject to the imposition of certain conditions
16 concerning the quality and soundness of the applicant's
17 financial affairs, solvency, management and directorship.

18 (3) Subject to the conditions set forth in paragraphs
19 (1) and (2), every association of this Commonwealth may
20 become a member of the corporation and may invest in and pay
21 such assessments, premiums and other charges as may be
22 required for participation in the corporation. Membership in
23 the corporation is for the life of the corporation, subject
24 to the bylaws, rules and regulations of the corporation.

25 (b) Withdrawal.--Any member may withdraw from the
26 corporation upon written notice given one year in advance of the
27 intended date of withdrawal and upon complying with the bylaws,
28 rules and regulations of the corporation.

29 Section 6. Exchange of information.

30 The laws of this Commonwealth, including but not limited to

1 the act of May 15, 1933 (P.L.565, No.111), known as the
2 "Department of Banking Code," shall be construed and applied so
3 as not to prevent an exchange of information relating to
4 associations and their business, between the Secretary of
5 Banking and representatives of the corporation. Any document or
6 information supplied to the corporation by the Secretary of
7 Banking shall be kept confidential unless the Secretary of
8 Banking specifically specifies otherwise, and violation of such
9 confidentiality shall subject the personnel of the corporation
10 to the same sanctions to which the Secretary of Banking would be
11 subject under the "Department of Banking Code."

12 Section 7. Faith or credit of Commonwealth not pledged.

13 Under no circumstances is the faith or credit of the
14 Commonwealth of Pennsylvania pledged herein.

15 Section 8. Bylaws, rules and regulations.

16 (a) General rules and regulations.--Within 60 days of its
17 appointment and before the acceptance of the membership of any
18 associations, the board of directors shall promulgate, subject
19 to the approval of the Secretary of Banking such bylaws, rules
20 and regulations as may be necessary and proper to carry out the
21 provisions of this act and as are not inconsistent with this
22 act. Thereafter, the bylaws, rules and regulations so adopted
23 may be amended or revoked by the board of directors and will,
24 upon approval of the Secretary of Banking become effective upon
25 their adoption. The rules and regulations shall establish a
26 limit on the amount of insurance which may be provided for each
27 separate savings account of an association; and this limit shall
28 be the amount of prevailing insurance available from the Federal
29 Savings and Loan Insurance Corporation or its successor
30 instrumentality from time to time.

1 (b) Internal rules and regulations.--The board of directors
2 shall have the power to adopt such bylaws, rules and regulations
3 which may be necessary for the internal operations of the
4 corporation.

5 Section 9. Corporation or member associations not subject to
6 insurance laws.

7 Neither the corporation, the member associations, nor those
8 persons owning savings accounts therein are subject to the
9 provisions of any laws of this Commonwealth concerning insurance
10 by reason of participation herein.

11 Section 10. Liability of officer or director upon contracts.

12 No officer or director of the corporation, whether appointed
13 or elected, is personally liable upon any of its contracts
14 legally entered into on behalf of the corporation unless the
15 same by its terms shall expressly obligate him or them.

16 Section 11. Perpetual life of corporation.

17 The life of the corporation is perpetual.

18 Section 12. Exemption from taxation.

19 The corporation is exempt from all special and ordinary taxes
20 and from documentary stamp and transfer taxes imposed by this
21 Commonwealth or any political subdivision thereof.

22 Section 13. Application for membership.

23 (a) Applications before organization of board.--All
24 applications from associations for membership received by the
25 corporation prior to appointment and organization of the board
26 of directors shall be referred to the Secretary of Banking. The
27 Secretary of Banking shall examine the affairs of all such
28 applicants and as a result thereof if he finds the applicants to
29 meet the qualifications for membership in the corporation set
30 forth herein under section 5, he shall so certify them. The

1 corporation shall not extend the benefits to be accorded to
2 member associations to any applicant until:

3 (1) it has received the report and recommendation as
4 provided herein from the Secretary of Banking as to such
5 applications so filed prior to appointment and organization
6 of the board of directors and has acted thereon in accordance
7 with section 5; and

8 (2) it has accepted for membership a minimum of 25
9 associations having savings accounts in the aggregate total
10 of at least \$25,000,000.

11 (b) Applications after organization of board.--All
12 applications from associations for membership received by the
13 corporation subsequent to appointment and organization of the
14 board of directors shall be made to the corporation. The
15 corporation shall then refer this preliminary application to the
16 Secretary of Banking within 30 days of receipt thereof for
17 action in accordance with the requirements set forth herein
18 under section 5.

19 Section 14. Functions of Secretary of Banking.

20 (a) Requiring corporation to discharge its obligation.--In
21 the event of the refusal of the corporation to commit its funds
22 or otherwise to act for the protection of depositors of any
23 member association of the corporation, the Secretary of Banking
24 may apply to the Commonwealth Court for an order requiring the
25 corporation to discharge its obligation under this act and for
26 such other relief as the court may deem appropriate to carry out
27 the purposes of this act.

28 (b) Examinations and inspections; reports.--The Secretary of
29 Banking may make such examinations and inspections of
30 corporation and require corporation to furnish him with such

1 reports and records or copies thereof as the Secretary of
2 Banking may consider necessary or appropriate in the public
3 interest or to effectuate the purposes of this act. As soon as
4 practicable after the close of each fiscal year, the corporation
5 shall submit to the Secretary of Banking a written report
6 relative to the conduct of its business and the exercise of the
7 other rights and powers granted by this act, during such fiscal
8 year. Such report shall include financial statements setting
9 forth the financial position of the corporation at the end of
10 such fiscal year and the results of its operations, including
11 the source and application of its funds, for such fiscal year.
12 The financial statements so included shall be examined by an
13 independent public accountant, or firm of independent public
14 accountants, selected by the corporation and satisfactory to the
15 Secretary of Banking, and shall be accompanied by the report
16 thereon of such accountant or firm.

17 Section 15. Filing certificate of commencement of business.

18 After the first meeting of the board of directors, a
19 certificate shall be filed by the board of directors with the
20 Department of State certifying that the corporation has
21 commenced business as provided in this act. Such certificate
22 shall be conclusive evidence that business was begun.

23 Section 16. Termination of existence of corporation.

24 If the corporation fails to insure savings accounts by
25 January 1, 1981, its existence terminates at that time without
26 further action by the General Assembly and the Governor, the
27 provisions of this act then are null and void and shall expire
28 on January 1, 1981.

29 Section 17. Effective date.

30 This act shall take effect in 60 days.