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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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HOUSE BILL

No. 153

Session of  
1979

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

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AS AMENDED ON THIRD CONSIDERATION, HOUSE OF REPRESENTATIVES,  
MARCH 13, 1979

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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~~ THE DIRECTORSHIP SHALL REMAIN VACANT <—  
12 until his successor has been elected or appointed and has  
13 qualified. IN NO CASE SHALL A DIRECTOR WHOSE TERM HAS EXPIRED <—  
14 CONTINUE TO SERVE UNLESS HE IS REELECTED OR REAPPOINTED TO A NEW  
15 TERM AND HAS QUALIFIED.

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

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

25 (f) Compensation.--The directors of the corporation may  
26 receive such reasonable compensation from the funds of the  
27 corporation as may be determined by the board of directors.

28 (g) Surety bonds of officers and employees.--The directors  
29 of the corporation shall fix the amount of the surety bonds of  
30 the officers and employees of the corporation conditioned upon

1 the faithful performance of their duties, as provided in the  
2 bylaws of the corporation.

3 Section 5. Qualifications for membership in corporation.

4 (a) General rule.--

5 (1) The membership of the corporation consists of those  
6 associations:

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

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

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

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

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



1 rules and regulations of the corporation.

2 Section 6. Exchange of information.

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

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

16 Under no circumstances is the faith or credit of the  
17 Commonwealth of Pennsylvania pledged herein.

18 Section 8. Bylaws, rules and regulations.

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

1 be the amount of prevailing insurance available from the Federal  
2 Savings and Loan Insurance Corporation or its successor  
3 instrumentality from time to time.

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

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

10 Neither the corporation, the member associations, nor those  
11 persons owning savings accounts therein are subject to the  
12 provisions of any laws of this Commonwealth concerning insurance  
13 by reason of participation herein EXCEPT THAT THE PROVISIONS OF <—  
14 SECTION 641, ACT OF MAY 17, 1921 (P.L.789, NO.285), KNOWN AS  
15 "THE INSURANCE DEPARTMENT ACT OF ONE THOUSAND NINE HUNDRED AND  
16 TWENTY-ONE," SHALL CONTINUE TO APPLY.

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

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

22 Section 11. Perpetual life of corporation.

23 The life of the corporation is perpetual.

24 Section 12. Exemption from taxation.

25 The corporation is exempt from all special and ordinary taxes  
26 and from documentary stamp and transfer taxes imposed by this  
27 Commonwealth or any political subdivision thereof.

28 Section 13. Application for membership.

29 (a) Applications before organization of board.--All  
30 applications from associations for membership received by the

1 corporation prior to appointment and organization of the board  
2 of directors shall be referred to the Secretary of Banking. The  
3 Secretary of Banking shall examine the affairs of all such  
4 applicants and as a result thereof if he finds the applicants to  
5 meet the qualifications for membership in the corporation set  
6 forth herein under section 5, he shall so certify them. The  
7 corporation shall not extend the benefits to be accorded to  
8 member associations to any applicant until:

9           (1) it has received the report and recommendation as  
10 provided herein from the Secretary of Banking as to such  
11 applications so filed prior to appointment and organization  
12 of the board of directors and has acted thereon in accordance  
13 with section 5; and

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

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

25 Section 14. Functions of Secretary of Banking.

26       (a) Requiring corporation to discharge its obligation.--In  
27 the event of the refusal of the corporation to commit its funds  
28 or otherwise to act for the protection of depositors of any  
29 member association of the corporation, the Secretary of Banking  
30 may apply to the Commonwealth Court for an order requiring the

1 corporation to discharge its obligation under this act and for  
2 such other relief as the court may deem appropriate to carry out  
3 the purposes of this act.

4 (b) Examinations and inspections; reports.--The Secretary of  
5 Banking may make such examinations and inspections of THE <—  
6 corporation and require THE corporation to furnish him with such <—  
7 reports and records or copies thereof as the Secretary of  
8 Banking may consider necessary or appropriate in the public  
9 interest or to effectuate the purposes of this act. As soon as  
10 practicable after the close of each fiscal year, the corporation  
11 shall submit to the Secretary of Banking a written report  
12 relative to the conduct of its business and the exercise of the  
13 other rights and powers granted by this act, during such fiscal  
14 year. Such report shall include financial statements setting  
15 forth the financial position of the corporation at the end of  
16 such fiscal year and the results of its operations, including  
17 the source and application of its funds, for such fiscal year.  
18 The financial statements so included shall be examined by an  
19 independent public accountant, or firm of independent public  
20 accountants, selected by the corporation and satisfactory to the  
21 Secretary of Banking, and shall be accompanied by the report  
22 thereon of such accountant or firm.

23 Section 15. Filing certificate of commencement of business.

24 After the first meeting of the board of directors, a  
25 certificate shall be filed by the board of directors with the  
26 Department of State certifying that the corporation has  
27 commenced business as provided in this act. Such certificate  
28 shall be conclusive evidence that business was begun.

29 Section 16. Termination of existence of corporation.

30 If the corporation fails to insure savings accounts by

1 January 1, 1981, its existence terminates at that time without  
2 further action by the General Assembly and the Governor, the  
3 provisions of this act then are null and void and shall expire  
4 on January 1, 1981.

5 Section 17. Effective date.

6 This act shall take effect in 60 days.