

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2837 Session of  
1996

INTRODUCED BY HASAY, LESCOVITZ, NYCE, RUBLEY, ROBERTS, MARKOSEK,  
VAN HORNE, SEMMEL, DeLUCA, ZUG, JAROLIN, BUNT, GEIST, TRELLO,  
YOUNGBLOOD, E. Z. TAYLOR AND LYNCH, JULY 1, 1996

REFERRED TO COMMITTEE ON COMMERCE AND ECONOMIC DEVELOPMENT,  
JULY 1, 1996

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 (6.1) "Corporation," 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 in the

case of corporation insured associations the 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 refund of its capital deposit, to the extent that it exists, from the corporation 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 June 30, 1997, 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.

(2) An association which, no later than June 30, 1997, files an application with the department pursuant to Article II 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.

(3) An association which files a certificate of election to dissolve no later than June 30, 1997, at such time as the association withdraws from the corporation.

(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 June 30, 1997, at such time as the association shall

1 withdraw from the corporation.

2 (5) An association which fails to file a substantially  
3 complete application for Federal deposit insurance with the  
4 Federal Deposit Insurance Corporation or fails to file a  
5 substantially complete application to merge or consolidate with  
6 a federally insured institution or fails to file a substantially  
7 complete application to merge with or convert to a credit union  
8 pursuant to section 1101.1 or fails to file a certificate of  
9 election to dissolve no later than June 30, 1997, shall receive  
10 a refund of its capital deposit to the extent that it exists  
11 pursuant to the provisions of section 823.2(c).

12 (a.2) Upon a corporation insured association's application  
13 to the department, the deadline for obtaining Federal insurance  
14 as set forth in subsection (a) may be extended up to ninety  
15 days. The department's discretion in granting the extension  
16 shall be based on whether:

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

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

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

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

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

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

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

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

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

(b) Immediately upon receipt of disapproval of an application filed within the time period set forth in section 823 for Federal insurance of its accounts as an insured institution, the following shall apply:

(1) The corporation insured association may not create new savings accounts.

(2) The corporation insured association shall cease immediately the acceptance of deposits from existing account holders.

(3) The corporation insured association shall immediately

1 proceed to dissolve its operations as an association and deliver  
2 to the department in the manner provided by law a certificate of  
3 election to dissolve and a plan of dissolution effective no  
4 later than thirty days after notice of disapproval of  
5 application.

6 (4) A corporation insured association which fails to adhere  
7 to the provisions of this subsection shall be subject to the  
8 provisions set forth in subsection (a), failure to file  
9 application.

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

22 (b) Notwithstanding any provision of the Pennsylvania  
23 Savings Association Insurance Corporation Act or any law to the  
24 contrary, in addition to the eight directors elected by the  
25 member associations as provided in section 4(a) of the  
26 Pennsylvania Savings Association Insurance Corporation Act, the  
27 directors may, no later than June 30, 1997, appoint three  
28 additional directors of the corporation, subject to a thirty-day  
29 period of nonobjection by the department, to represent the  
30 public interest and serve for a term of four years or until

1 replaced. The terms shall commence on the date of the first  
2 meeting of the board of directors held following their  
3 appointment. Any director so appointed shall not be affiliated,  
4 either directly or indirectly, with any corporation member  
5 association; shall have a general knowledge of savings and loan  
6 associations; shall be a registered voter of and shall reside in  
7 this Commonwealth. Any vacancy occurring in the term of any  
8 director shall be filled by the directors within sixty days.

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

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

29 Section 1101. Mergers, Consolidations, Conversions and  
30 Reorganizations.--\* \* \*

1     (b.3) Notwithstanding any law to the contrary, upon  
2     compliance with the requirements of this article, and any other  
3     law, one or more associations with savings accounts insured by  
4     the corporation may merge or consolidate into a bank, bank and  
5     trust company, savings bank, or interstate bank as those terms  
6     are defined in section 102 of the act of November 30, 1965  
7     (P.L.847, No.356), known as the Banking Code of 1965, as  
8     amended, or a national bank.

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

11     Section 1101.1. Credit Union Merger and Conservation  
12     Procedures for Corporation Insured Associations.--(a) A  
13     corporation insured association which files an application to  
14     merge or convert into a credit union may merge or convert with  
15     the approval of the department. The department shall impose  
16     reasonable conditions and requirements on the association  
17     relating to the merger with or conversion to a credit union,  
18     including, but not limited to, the following:

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

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

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

29     (b) Upon receipt of an application for approval of merger or  
30     conversion, the department shall conduct such investigation as



1 it may deem necessary in order to ensure that the merger or  
2 conversion would be consistent with adequate and sound credit  
3 union practices and in the public interest.

4 (c) If the department approves the articles of merger or  
5 conversion, it shall register its approval thereon and shall  
6 forthwith forward the articles to the Department of State for  
7 filing. As of the filing of the articles in the Department of  
8 State, the merger or conversion shall be effective, and the  
9 existence of the association shall cease as a separate entity  
10 but shall continue in, and the parties to the plan shall be, a  
11 single corporation which shall be the resulting credit union and  
12 which shall have without further act or deed all property,  
13 rights, powers, duties and obligations of each party to the  
14 plan.

15 (d) The membership of the resulting credit union may permit  
16 individuals who, at the time of merger or conversion, were  
17 members, savings account holders, directors, officers, employees  
18 or borrowers of the association to become members of the  
19 resulting credit union.

20 (e) Rights of dissenting members shall be determined  
21 pursuant to section 1109.

22 (f) Notwithstanding any provision of this act to the  
23 contrary, a credit union which results from a merger or  
24 conversion is permitted to hold assets of the association even  
25 though such assets do not conform with the requirements of this  
26 act. However, except with the permission of the Secretary of  
27 Banking, the credit union must divest itself of all assets which  
28 do not conform with the requirements of this act within five  
29 years of the effective date of the merger or conversion.

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

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

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

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

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

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

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

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

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

Section 7. This act shall take effect as follows:

(1) The amendments of section 1602(a)(2) of the act

1       shall take effect on the date of filing of articles of  
2       dissolution as provided for in section 823.2 of the act.

3           (2) The remainder of this act shall take effect  
4       immediately.