

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 95

Session of
1997

INTRODUCED BY HOLL, JANUARY 21, 1997

REFERRED TO BANKING AND INSURANCE, JANUARY 21, 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
28 1967, added April 9, 1982 (P.L.334, No.94), is amended and the

1 section is amended by adding clauses to read:

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

5 * * *

6 (5.2) "Capital deposit," the contributions paid by a
7 savings association to the Pennsylvania Savings Association
8 Insurance Corporation's central insurance fund, consisting of
9 capital contributions by each member savings association in an
10 amount equal to not less than two percent of the total savings
11 on deposit with each member.

12 ~~[(5.2)]~~ (5.3) "Capital surplus," the amount paid to an
13 association for the purchase of permanent reserve fund stock in
14 excess of its par value.

15 * * *

16 (6.1) "Corporation," the Pennsylvania Savings Association
17 Insurance Corporation established by the act of April 6, 1979
18 (P.L.17, No.5), referred to as the Pennsylvania Savings
19 Association Insurance Corporation Act.

20 * * *

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

23 Section 823. Account Insurance.--(a) Each association
24 subject to this act shall obtain insurance of accounts as soon
25 as the association can qualify for such coverage as provided by
26 the [Federal Savings and Loan Insurance Corporation or by any
27 other public or private corporation authorized by law to insure
28 accounts of savings associations and approved by the Department
29 of Banking.] Federal Deposit Insurance Corporation or the
30 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 September 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 September 30, 1997, 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 corporation.

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

(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 September 30, 1997, shall
receive a refund of its capital deposit to the extent that it
exists pursuant to the provisions of section 823.2(c).

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

(1) The association has filed an application for extension
of 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
information from any regulatory agency.

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

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

1 proceeding by the department.

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

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

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

1 (b) Notwithstanding any provision of the Pennsylvania
2 Savings Association Insurance Corporation Act or any law to the
3 contrary, in addition to the eight directors elected by the
4 member associations as provided in section 4(a) of the
5 Pennsylvania Savings Association Insurance Corporation Act, the
6 directors may, no later than September 30, 1997, appoint five
7 additional directors of the corporation, subject to a thirty-day
8 period of nonobjection by the department, to represent the
9 public interest and serve for a term of four years or until
10 replaced. The terms shall commence on the date of the first
11 meeting of the board of directors held following their
12 appointment. Any director so appointed shall not be affiliated,
13 either directly or indirectly, with any corporation member
14 association; shall have a general knowledge of savings and loan
15 associations; shall be a registered voter of and shall reside in
16 this Commonwealth. Any vacancy occurring in the term of any
17 director shall be filled by the directors within sixty days.

18 (c) Notwithstanding any provision of the Pennsylvania
19 Savings Association Insurance Corporation Act or any other law
20 to the contrary, the board of directors of the corporation shall
21 proceed to dissolve the corporation under 15 Pa.C.S. Ch. 59
22 Subch. F (relating to voluntary dissolution and winding up) at
23 such time when all member associations have withdrawn from the
24 corporation, by the adoption of a resolution. At such time, the
25 board of directors of the corporation may elect to reimburse the
26 capital deposit of an association which did not comply with the
27 provisions of section 823. At such time that the corporation has
28 no outstanding liabilities, the corporation may distribute its
29 retained earnings to the associations which were members of the
30 corporation on June 30, 1996. The retained earnings of the

1 corporation shall be distributed on a pro rata basis. The pro
2 rata distribution shall be calculated by dividing an
3 association's capital deposit liabilities as of June 30, 1996,
4 by the total capital deposits of all associations belonging to
5 the corporation on June 30, 1996.

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

8 Section 1101. Mergers, Consolidations, Conversions and
9 Reorganizations.--* * *

10 (b.3) Notwithstanding any law to the contrary, upon
11 compliance with the requirements of this article, and any other
12 law, one or more associations with savings accounts insured by
13 the corporation may merge or consolidate into a bank, bank and
14 trust company, savings bank, or interstate bank as those terms
15 are defined in section 102 of the act of November 30, 1965
16 (P.L.847, No.356), known as the Banking Code of 1965, or a
17 national bank.

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

19 Section 1101.1. Credit Union Merger and Conversion
20 Procedures for Corporation Insured Associations.--(a) A
21 corporation insured association which files an application to
22 merge or convert into a credit union may merge or convert with
23 the approval of the department. The department shall impose
24 reasonable conditions and requirements on the association
25 relating to the merger with or conversion to a credit union,
26 including, but not limited to, the following:

27 (1) The members of the association shall approve the merger
28 or conversion plan by the affirmative vote of two-thirds of the
29 entire membership of the board of directors of the association,
30 written notice to all association members and such vote of the

1 members as the department may require.

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

4 (3) The merging or converting association must qualify for
5 share insurance by the National Credit Union Administration
6 Share Program.

7 (b) Upon receipt of an application for approval of merger or
8 conversion, the department shall conduct such investigation as
9 it may deem necessary in order to ensure that the merger or
10 conversion would be consistent with adequate and sound credit
11 union practices and in the public interest.

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

23 (d) The membership of the resulting credit union may permit
24 individuals who, at the time of merger or conversion, were
25 members, savings account holders, directors, officers, employees
26 or borrowers of the association to become members of the
27 resulting credit union.

28 (e) Rights of dissenting members shall be determined
29 pursuant to section 1109.

30 (f) Notwithstanding any provision of this act to the

1 contrary, a credit union which results from a merger or
2 conversion is permitted to hold assets of the association even
3 though such assets do not conform with the requirements of this
4 act. However, except with the permission of the Secretary of
5 Banking, the credit union must divest itself of all assets which
6 do not conform with the requirements of this act within five
7 years of the effective date of the merger or conversion.

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

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

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

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

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

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

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

30 (2) Section 504B of the act of May 15, 1933 (P.L.565,

1 No.111), known as the "Department of Banking Code," is repealed
2 insofar as it applies to nonfederally insured savings
3 associations.

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

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

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

11 (2) The remainder of this act shall take effect
12 immediately.