

## No. 1986-206

## AN ACT

## SB 1390

Amending the act of December 14, 1967 (P.L.746, No.345), entitled "An act relating to and regulating the business of savings associations heretofore designated under other acts and special charters variously as building and loan associations and savings and loan associations; defining the rights, powers, duties, liabilities, and immunities of such associations; affecting persons engaged in the business of savings associations; affecting the members, account holders and borrowers of such associations; affecting Federal savings and loan associations whose principal office is located in the Commonwealth; prohibiting the transaction of business in this Commonwealth by foreign savings associations; conferring powers and imposing duties on certain departments and officers of the Commonwealth and on the courts, recorders of deeds; creating a Savings Association Board and defining its powers and duties; prohibiting certain actions and imposing penalties, and repealing certain acts," providing for nationwide branching by savings associations, regional, reciprocal interstate banking for savings associations and expanding investment powers; and making repeals.

The General Assembly makes the following findings as a basis for this act:

(1) The rapid development in recent years of interstate operations of financial institutions can be expected to continue and to have significant effects on the business of savings associations in this Commonwealth by reason of the economic, regulatory, financial and technological forces that affect the business.

(2) It is in the best interests of the economy of this Commonwealth and its public to enable savings associations in this Commonwealth to remain sound, strong and competitive with financial institutions located elsewhere.

(3) As an increasing number of states authorize financial institutions in their states to conduct interstate operations in some form, savings associations and their holding companies in this Commonwealth would be disadvantaged if not permitted to branch in any location and to combine on a regional, reciprocal basis with thrift institutions in other states.

(4) Geographical limitations on interstate operations by thrift institutions are important to the competitiveness, safety and soundness of Pennsylvania's thrift institutions.

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

Section 1. The act of December 14, 1967 (P.L.746, No.345), known as the Savings Association Code of 1967, is amended by adding sections to read:

**Section 114. Authorization of Reciprocal Regional Operations of Savings Associations.—(a) The following words and phrases when used in this section shall have, unless the context clearly indicates otherwise, the following meanings:**

(1) *“Acquire,” to acquire (as defined in section 212(a)(1)) five percent or more of the voting stock of an entity and shall also mean a merger or consolidation or a purchase of assets and an assumption of liabilities, other than in the regular course of business.*

(2) *“Bank holding company,” the same meaning as that term has under the Bank Holding Company Act of 1956, 12 U.S.C. § 1841(a).*

(3) *“Branch,” an office which performs the functions described in section 102(5).*

(4) *“Control,” the power, directly or indirectly, to direct the management or policies of an entity or to vote twenty-five percent or more of any class of voting securities of an entity.*

(5) *“Entity,” any corporation, partnership, association or similar organization, including banks and thrift institutions.*

(6) *“Pennsylvania association,” an association as defined in section 102(3) and a Federal association, as defined in 12 U.S.C. § 1462(d), that is located in Pennsylvania.*

(7) *“Pennsylvania association holding company,” an entity which controls one or more Pennsylvania associations and is located in Pennsylvania.*

(8) *“Pennsylvania savings bank,” a savings bank as defined in section 102(x) of the Banking Code of 1965.*

(9) *“Pennsylvania thrift institution,” a Pennsylvania savings bank or a Pennsylvania association.*

(10) *“Pennsylvania thrift institution holding company,” an entity which controls one or more Pennsylvania thrift institutions and is located in Pennsylvania.*

(11) *“Region,” the States of Delaware, Kentucky, Maryland, New Jersey, Ohio, Virginia and West Virginia, and the District of Columbia.*

(12) *“Regional association,” a savings and loan association or building and loan association located in and organized and operating under the laws of a state in the region and a Federal association, as defined in 12 U.S.C. § 1462(d), that is located in the region.*

(13) *“Regional association holding company,” an entity which controls one or more regional associations and is located in a state in the region.*

(14) *“Regional savings bank,” a savings bank located in and organized and operating under the laws of a state in the region.*

(15) *“Regional thrift institution,” a regional savings bank or a regional association.*

(16) *“Regional thrift institution holding company,” an entity which controls one or more regional thrift institutions and is located in a state in the region.*

(17) *“Savings and loan holding company,” the same meaning as defined in 12 U.S.C. § 1730a(a)(1)(D).*

(18) *“State,” includes the District of Columbia.*

(19) *State in which an entity is “located”:*

*(i) with regard to a thrift institution, the state in which its deposits are largest; and*

(ii) with regard to a thrift institution holding company, an association holding company, a bank holding company or a savings and loan holding company, the state in which the total deposits of its subsidiaries, including commercial banks, are largest:

*Provided, That an entity or its legal successor that is located in Pennsylvania on the effective date of this legislation shall be deemed thereafter to be located in Pennsylvania regardless of the location of its deposits or the deposits of its subsidiaries if said entity has not been either acquired by an entity located outside of Pennsylvania or a party to a merger or consolidation transaction in which the holders of its voting shares immediately prior to the transaction held less than fifty percent of the voting shares of any class of stock in the entity surviving after, or resulting from, the merger or consolidation.*

(b) A regional thrift institution or a regional thrift institution holding company may acquire a Pennsylvania association or a Pennsylvania association holding company if:

(1) The law of the state where the acquiring thrift institution or thrift institution holding company is located and the law of the state where any bank holding company or savings and loan holding company which, directly or indirectly, owns or controls the power to vote five percent or more of its shares is located satisfies, in each case, the reciprocity requirement of subsection (e);

(2) The acquiring thrift institution or thrift institution holding company and any bank holding company or savings and loan holding company which, directly or indirectly, owns or controls the power to vote five percent or more of its shares is, in each case, located in a state in the region or in Pennsylvania; and

(3) Approval has been received from the department. When considering a proposed acquisition by a regional thrift institution or a regional thrift institution holding company, the department shall give specific attention to the effects of the acquisition on the availability, in this Commonwealth, of those banking and basic transaction account services set forth in subsections (j) and (k).

(c) A regional association may, with the prior written approval of the department, maintain as a branch any office acquired as part of an acquisition effected under this section or section 117 of the Banking Code of 1965.

(d) A regional association may establish and maintain branches in this Commonwealth if:

(1) The state in which the association is located and the state in which any bank holding company or savings and loan holding company which, directly or indirectly, owns or has the power to vote five percent or more of its shares is located satisfies, in each case, the reciprocity requirement of subsection (e);

(2) The association and any bank holding company or savings and loan company which, directly or indirectly, owns or controls the power to vote five percent or more of its shares is, in each case, located in a state in the region or in Pennsylvania; and

*(3) The branch is approved by the department in the same manner, and subject to the same conditions as are applicable to, de novo branches of Pennsylvania associations under sections 403 and 404.*

*(e) (1) The law of another state is reciprocal under this section to the extent the department determines it to be so. The department's determination under this subsection shall include, but is not limited to:*

*(i) with regard to acquisitions, whether the law of that other state authorizes Pennsylvania associations and Pennsylvania association holding companies to acquire regional thrift institutions and regional thrift institution holding companies located in that state on terms and conditions reasonably equivalent to those applicable to acquisitions by regional thrift institutions and regional thrift institution holding companies of Pennsylvania associations or Pennsylvania association holding companies and whether the law of that other state imposes conditions on the acquisition by Pennsylvania associations or Pennsylvania association holding companies of regional thrift institutions or regional thrift institution holding companies located in that state that are substantially more onerous than those imposed on the same acquisitions by thrift institutions or thrift institution holding companies located in that state; and*

*(ii) with regard to branching, whether the law of that other state authorizes Pennsylvania associations to establish or maintain branches in that state on terms and conditions reasonably equivalent to those applicable to the establishment or maintenance of branches in Pennsylvania by associations located in that state and on terms and conditions reasonably equivalent to those applicable to the establishment of branches in that state by an association located in that state.*

*(2) The department need not determine that the law of another state fails to meet the reciprocity requirement of this section solely by reason of the fact that that law does not allow Pennsylvania associations or Pennsylvania association holding companies to engage in a particular type of branching or acquisition or imposes conditions on such branching or acquisition that are substantially more onerous than those imposed on the same activities of thrift institutions or thrift institution holding companies located in that state. However, in such circumstances, the department shall find reciprocity only after imposing on the thrift institutions and thrift institution holding companies located in that state conditions and limitations on branching and acquisitions in Pennsylvania substantially similar to those imposed on branching and acquisitions in that state by Pennsylvania associations and association holding companies.*

*(3) The department may determine that the law of another state is not reciprocal regarding a particular type of branching or acquisition if the law of that other state does not allow all Pennsylvania associations or, alternatively, all Pennsylvania association holding companies to engage on equal terms with each other in the particular type of branching or acquisition. The department shall determine that the law of another state is not reciprocal regarding a particular type of branching or acquisition if the law of that other state does not allow federally chartered Pennsylvania associations (or*

*federally chartered Pennsylvania associations converted from State-chartered Pennsylvania associations or Pennsylvania savings banks) or their holding companies to engage in the particular type of branching or acquisition on equal terms with State-chartered Pennsylvania associations or their holding companies.*

*(f) In addition to the powers granted elsewhere in this section and in other provisions of Pennsylvania law, the department is authorized to impose any conditions or requirements it deems appropriate, in light of the purposes of this act, on thrift institutions and thrift institution holding companies acquired or operating, directly or indirectly, in Pennsylvania under this section. Such conditions or requirements include, but are not limited to, provisions for examinations, reports and the payment of fees. The department may accept examinations and other reports of Federal and state regulators and may enter into agreements with Federal and state regulators for the exchange of information, including examination reports.*

*(g) If a regional thrift institution or regional thrift institution holding company located in another state which has acquired a Pennsylvania association or a Pennsylvania association holding company or has established a branch in Pennsylvania under this section shall have a change of circumstances so that it no longer satisfies the conditions of subsections (b) and (c) (either by reason of a change in the place in which it is located or by reason of acquisition by a bank holding company or a savings and loan holding company located in a state which does not satisfy the conditions of subsection (b) or (c) of five percent or more of its voting shares, or the power to vote those shares), said regional thrift institution or regional thrift institution holding company shall divest each Pennsylvania association, association holding company and branch it has acquired or established prior to entering into a voluntary combination which causes such change of circumstances or within one year (or such longer period of not more than an additional year as the department may allow, in writing) after the occurrence of an event other than a voluntary combination, which causes the change in circumstances.*

*(h) The purpose of this section is solely to authorize regional, reciprocal operations by associations and savings banks, and this section shall not be construed to authorize any acquisition or the establishment of any branch by any entity located in another state except as expressly provided in this section. In the event that any limitation on the geographical location of entities granted acquisition or branching powers by this section is held to be invalid by a final order of a court which is not subject to further review or appeal, the authorization of this section shall terminate immediately. Any acquisition or branch establishment consummated pursuant to this section prior to such termination shall not be affected thereby.*

*(i) A Pennsylvania association or Pennsylvania association holding company which proposes to acquire a thrift institution or thrift institution holding company located in another state shall file an application for approval by the department in such form and upon payment of such fee as the department shall prescribe and shall supplement such application with such additional information as the department may reasonably request. The*

*department shall conduct such investigation as it deems necessary to determine whether to approve or disapprove the application. The investigation shall include consideration of the effects the proposed acquisition would have on the availability, in this Commonwealth, of those banking services and basic transaction account services set forth in subsections (j) and (k). Within sixty days after receipt of the application or within a longer period, not in excess of thirty days, after receipt from the applicant of additional information requested by the department, the department shall approve or disapprove the proposed acquisition and give written notice of its decision to the applicant. In approving an acquisition under this section, the department may place conditions upon such approval and incorporate such terms and agreements as are deemed necessary to effect the purposes of this act.*

*(j) The department shall have the authority to assure that interstate thrift acquisitions authorized by this section will not diminish reasonable availability of banking services to all segments of the public and economy of this Commonwealth, with special emphasis on economic development and the financing of enterprises to the end that employment opportunities will be either increased or, where there is the prospect of reduction, retained. Upon receipt of an application for approval of an acquisition by a company located in another state under subsection (b) or approval of an acquisition in another state by a Pennsylvania association or Pennsylvania association holding company under subsection (i), the department shall review the credit practices and policies of each Pennsylvania association or Pennsylvania association holding company which is involved in the proposed transaction. Such review shall determine the overall performance of such company or institution in providing credit and financial services to individuals and business enterprises in the communities which it serves in the light of its role as a thrift institution, its resources, its capital and its income, the particular needs of such communities, competition and alternative sources of credit. With respect to individuals, there shall be a review of consumer loans, residential mortgages, home improvement loans and student loans, particularly to residents of low-income and moderate-income neighborhoods. With respect to business enterprises, there shall be a review of extensions of credit and investments intended to promote economic development and creation, or retention where there is the prospect of reduction, of employment opportunities, including, without limitation, Small Business Administration and other small business loans, industrial development loans, financing of employee stock option plans and leveraged buy-outs of businesses by employees, financing of non-profit community development projects, loans and investments intended to maintain existing businesses and to encourage economic expansion and job opportunities, and loans and investments to promote participation by businesses in this Commonwealth in international trade and to increase exports. The review by the department shall also include all other activities of the institution or company deemed to be suitable to its particular circumstances and the communities served. If the department determines that the overall performance of the institution or company has not been materially deficient and that it justifies the conclusion that the institution or*

*company does and will provide suitable credit and financial services to its communities, it may approve the application without imposing any terms or conditions but otherwise may impose such terms and conditions as it deems appropriate to improve such overall performance over a stated period of time. The department shall, from time to time, review the continuing overall performance of each such institution or company after an acquisition and, if it finds that its overall performance has not continued to be satisfactory, shall issue such order to the applicant as it deems appropriate.*

*(k) The department shall have the authority to assure that thrift institution holding companies and thrift institutions that become part of interstate banking organizations by reason of acquisitions requiring approval under this section make basic transaction account services available to the public. For this purpose the department shall obtain, from all sources available to it or through such studies as it may commission, adequate information to determine:*

*(1) The needs of the public and, in particular, individuals with low or moderate income, for a basic checking or other transaction account.*

*(2) The principal characteristics that such an account should have, such as the number of checks, deposits and other items for which a minimum charge may be made, the amount or rate of such minimum charge, and the forms of identification that may be required for opening and using such an account.*

*(3) The existing availability of basic accounts with some or all of such principal characteristics currently offered by depository institutions, including applicants under this section, in separate communities of the Commonwealth.*

*An applicant shall, at the request of the department, supply information to the department with respect to such accounts offered by the applicant and by each institution which is a subsidiary of the applicant. The department may approve an application prior to the time it has acquired the information required by this section, but the applicant and each institution which is a subsidiary of the applicant shall be subject, both before and after an approval of the acquisition under this section, to requirements imposed by the department, from time to time, to assure to the public, in the communities served by the institution, the continuing availability of the basic transaction account services which the department has determined the public needs.*

*(l) For the purpose of advising the department in the conduct of its functions under subsections (j) and (k), the advisory commission established by section 116(k) of the act of November 30, 1965 (P.L. 847, No. 356), known as the "Banking Code of 1965," is empowered and directed to provide information, opinions and recommendations as to guidelines the department may establish, from time to time, for the purpose of determining the overall performance of an institution or company under subsection (j) and the availability of basic transaction account services under subsection (k). All decisions and determinations made under this section shall be made by the department.*

**Section 212.1. Prohibition Against Certain Acquisitions.—(a) Except as provided in section 114, it shall be unlawful for a commercial bank, a bank holding company, a thrift institution, or a thrift institution holding company to acquire a Pennsylvania association unless the acquiring entity, and any savings and loan holding company or bank holding company which directly or indirectly owns or controls the power to vote five percent or more of its shares, is located in Pennsylvania.**

**(b) The terms in subsection (a) shall have the same definitions as those terms have in section 114.**

**(c) The prohibition in subsection (a) shall not affect any acquisition effected prior to the effective date of this act.**

Section 2. Section 403(b) of the act, amended April 9, 1982 (P.L.334, No.94), is amended to read:

Section 403. Authorization of New Branches.—\* \* \*

(b) Except as provided in subsection (a) of this section, an association may establish a branch after the effective date of this act anywhere in Pennsylvania *and anywhere in the United States* upon compliance with the following requirements:

(1) The proposed branch shall be authorized by resolution by its board of directors.

(2) If the location of the proposed branch is outside of the city, incorporated town, borough or township in which the principal place of business of the association is located, the association shall give notice of the filing of the application by advertisement in the county in which the proposed branch is to be located.

(3) The branch shall be approved by the department.

Section 3. Section 922 of the act is amended by adding a clause to read:

Section 922. Securities and Obligations.—An association may invest its funds:

\* \* \*

**(s) With the prior approval of the department, in up to one hundred percent of the stock of a bank, a bank and trust company, a trust company, a bank holding company, a savings bank, a regional thrift institution or a regional thrift institution holding company as those terms are defined in the Banking Code of 1965 and in section 114.**

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

Section 1101. Mergers, Consolidations and Conversions.—\* \* \*

**(b.1) Upon compliance with the requirements of this article, one or more associations may merge or consolidate with a regional thrift institution as defined in, and subject to any applicable limits of, section 114.**

Section 5. Section 1301(a) of the act is amended to read:

Section 1301. Foreign Corporations.—(a) **[Foreign] Except as provided in section 114, foreign** corporations shall not transact the business of an association within this Commonwealth, nor maintain an office within this Commonwealth for the purpose of transacting such business. It shall be unlawful for any person to engage in the business of soliciting or receiving



within this Commonwealth subscriptions to the shares or savings accounts of such corporations or payments therefor, or of granting loans within this Commonwealth on behalf of such corporations, or of soliciting applications therefor, or of receiving within this Commonwealth on behalf of such corporations, interest, premiums, fees or payments of any kind or of transacting business in any manner within this Commonwealth on behalf of such corporation.

\* \* \*

Section 6. All acts and parts of acts are repealed insofar as they are *inconsistent with this act.*

Section 7. This act shall take effect in 60 days.

APPROVED—The 18th day of December, A. D. 1986.

DICK THORNBURGH