

No. 1998-132

AN ACT

SB 95

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," adding or amending certain definitions; providing for conversion to federally insured status; further providing for refund of capital deposits, for alternate conversion procedures, for dissolution of associations, for appointment of directors and for the dissolution of the Pennsylvania Savings Association Insurance Corporation; and making repeals.

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

Section 1. Section 102(5.2) of the act of December 14, 1967 (P.L.746, No.345), known as the Savings Association Code of 1967, added April 9, 1982 (P.L.334, No.94), is amended and the section is amended by adding clauses to read:

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

* * *

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

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

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

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

Section 823. Account Insurance.—(a) Each association subject to this act shall obtain insurance of accounts as soon as the association can qualify for such coverage as provided by the [Federal Savings and Loan Insurance Corporation or by any other public or private corporation authorized by law to insure accounts of savings associations and approved by the Department of Banking.] *Federal Deposit Insurance Corporation or the National Credit Union Administration.*

(a.1) Notwithstanding any provision to the contrary, no association may conduct the business of an association after thirty months from the effective date of this subsection unless its deposits are insured by the Federal Deposit Insurance Corporation or National Credit Union Administration.

(a.2) A PSAIC insured association shall receive a refund of its capital deposit, to the extent that it exists, from the PSAIC 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 eighteen months from the effective date of this subsection 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 PSAIC.

(2) An association which, no later than eighteen months from the effective date of this subsection, 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 PSAIC.

(3) An association which files a certificate of election to dissolve no later than eighteen months from the effective date of this subsection, at such time as the association withdraws from the PSAIC.

(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 eighteen months from the effective date of this subsection, at such time as the association shall withdraw from the PSAIC.

(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 eighteen months from the effective date of this subsection shall receive a refund of its capital deposit to the extent that it exists pursuant to the provisions of section 823.2(c).

(a.3) Upon a PSAIC insured association's application to the department, the deadline for obtaining Federal insurance as set forth in subsection (a.1) may be extended for a period deemed appropriate by the department. The department's discretion in granting the extension shall be based on whether:

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

(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 proceeding by the department.

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

Section 823.1. Dissolution.—Notwithstanding section 1207, a PSAIC 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 may 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.

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

(b) Notwithstanding any provision of the Pennsylvania Savings Association Insurance Corporation Act or any law to the contrary, all of

the PSAIC corporate powers shall be exercised by a board of directors, the number and qualifications of which shall be established by the PSAIC's bylaws. In addition to the directors elected by the member associations as provided in the bylaws of the PSAIC, the directors shall appoint up to five additional directors of the PSAIC at such time as the department deems appropriate, subject to written approval of each additional director by the department within sixty days of receipt by the department of written notice from the PSAIC that it has selected such a director. The five additional directors of the PSAIC shall represent the public interest and serve for a term of four years or until replaced. The terms shall commence on the date of the first meeting of the board of directors held following their appointment. Any director so appointed shall not be affiliated, either directly or indirectly, with any PSAIC member association, shall have a general knowledge of the financial services industry, shall be a registered voter of and shall reside in this Commonwealth. Any vacancy occurring in the term of any director shall be filled by the directors within sixty days.

(c) Notwithstanding any provision of the Pennsylvania Savings Association Insurance Corporation Act or any other law to the contrary, the board of directors of the PSAIC shall proceed to dissolve the PSAIC under 15 Pa.C.S. Ch. 59 Subch. F (relating to voluntary dissolution and winding up) at such time when all member associations have withdrawn from the PSAIC, by the adoption of a resolution. At such time, the board of directors of the PSAIC may elect to reimburse the capital deposit of an association which did not comply with the provisions of section 823. At such time that the PSAIC has no outstanding liabilities, the PSAIC may distribute its retained earnings to the associations which were members of the PSAIC on June 30, 1996. The retained earnings of the PSAIC shall be distributed on a pro rata basis. The pro rata distribution shall be calculated by dividing an association's capital deposit liabilities as of June 30, 1996, by the total capital deposits of all associations belonging to the PSAIC on June 30, 1996.

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

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

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

* * *

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

Section 1101.1. Credit Union Merger and Conversion Procedures for PSAIC Insured Associations.—(a) A PSAIC insured association which

files an application to merge or convert into a credit union may merge or convert with the approval of the department. The department shall impose reasonable conditions and requirements on the association relating to the merger with or conversion to a credit union, including, but not limited to, the following:

(1) The association shall approve the merger or conversion plan by the affirmative vote of two-thirds of the entire membership of the board of directors of the association and such vote of the members as the department may require.

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

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

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

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

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

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

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

Section 6. Sections 1401(a) and 1602 of the act are amended to read:

Section 1401. Examinations and Reports.—(a) The department shall examine all associations at least once [each year] *every two calendar years* and may examine any association more frequently and at any time it deems such action necessary or desirable for protection of members or creditors. The examination shall include a review of the accounts, records and affairs of the association, its compliance with law and such other matters as the department

may determine. For this purpose the department may examine a person which is performing services for an association.

* * *

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.”

(2) 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.”

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

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

APPROVED—The 21st day of December, A.D. 1998.

THOMAS J. RIDGE