

## No. 1978-329

## AN ACT

## SB 1454

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 account insurance.

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

Section 1. Clause (6) of subsection (a) of section 206, act of December 14, 1967 (P.L.746, No.345), known as the "Savings Association Code of 1967," is amended to read:

Section 206. Approval of Proposed Association by Department.—(a) Upon receipt of an application for approval of a proposed association the department shall conduct such investigation as it may deem necessary to ascertain whether:

\* \* \*

(6) The amount of savings, which will be attracted to the association, shall be adequate properly to operate the association with safety to prospective members, *and such savings will be insured 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, and*

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Section 2. Section 804 of the act is amended by adding a subsection to read:

Section 804. Types of Savings Contracts.—\* \* \*

(c) *The savings accounts in any association which is insured by the Pennsylvania Savings Association Insurance Corporation shall be subject to the limitation that earnings on savings accounts opened after the effective date of this act shall not be in excess of that permitted to be paid by any Pennsylvania chartered savings association insured by the Federal Savings and Loan Insurance Corporation. An association may continue to pay any account holder of record on the effective date of this act on whose account annual earnings for the four quarters preceding June 1, 1978*

*exceed the maximum permitted on accounts of associations insured by the Federal Savings and Loan Insurance Corporation, earnings not in excess of that permitted to be paid by Pennsylvania chartered savings associations insured by the Federal Savings and Loan Insurance Corporation, or the annual earnings paid for the four quarters preceding June 1, 1978, whichever is the greater. There is further excepted from the foregoing limitation, any class of serial installment accounts offered by an association as of June 1, 1978. The earnings paid on such serial installment accounts opened after the effective date of this act may be paid at a rate not higher than the greater of earnings paid at the annual rate on the same class of serial installment accounts for the four quarters preceding June 1, 1978 or that permitted to be paid by Pennsylvania chartered savings associations insured by the Federal Savings and Loan Insurance Corporation. The Secretary of Banking shall issue regulations defining serial installment accounts.*

Section 3. The heading of Article VIII is amended to read:

#### ARTICLE VIII

Savings Operations, Earnings, *Account Insurance* and Reserves

Section 4. The act is amended by adding a section 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.*

(b) *After December 31, 1980, an association subject to this act which has not obtained insurance of accounts as prescribed in subsection (a) shall not accept further funds from account holders or create new accounts.*

Section 5. This act shall take effect immediately.

APPROVED—The 26th day of November, A. D. 1978.

MILTON J. SHAPP