

No. 1980-132

AN ACT

HB 2409

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 provisions relating to the Pennsylvania Savings Association Insurance Corporation.

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

Section 1. Clause (12) of section 102, act of December 14, 1967 (P.L.746, No.345), known as the "Savings Association Code of 1967," is amended 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:

* * *

(12) "Insured association," an association whose savings are insured as provided by the National Housing Act of 1934, approved the twenty-seventh day of June, 1934, its amendments and supplements *or by the Pennsylvania Savings Association Insurance Corporation established by the act of April 6, 1979 (P.L.17, No.5), entitled "An act establishing the Pennsylvania Savings Association Insurance Corporation and providing for its powers and duties."*

* * *

Section 2. Subsection (a) of section 612 of the act is amended by adding a clause to read:

Section 612. Disclosure of Information Concerning Accounts.—
(a) Record books and accounts of associations are private and confidential and the contents thereof may not be divulged by any officer, director or employe of the association except to:

* * *

(5) *Authorized representatives of the Pennsylvania Savings Association Insurance Corporation.*

* * *

Section 3. Clauses (5), (12), (16) and (23) of subsection (a) of section 701 of the act, clauses (5) and (12) amended and clause (23) added July 30, 1975 (P.L.105, No.55), are amended to read:

Section 701. Powers of Associations.—(a) Every association incorporated pursuant to or operating under the provisions of this code shall have all of the powers enumerated, authorized, and permitted by this code and such other rights, privileges and powers as may be incidental to or reasonably necessary or appropriate for the accomplishment of the objects and purposes of the association. Among others, and except as otherwise limited by the provisions of this code, every association shall have the following powers:

* * *

(5) An association may borrow from the Federal Home Loan Bank such sums as are permitted by the rules and regulations of the Federal Home Loan Bank and such borrowings shall be in accordance with such rules and regulations as may be prescribed by the Federal Home Loan Bank. *An association may borrow from the Pennsylvania Savings Association Insurance Corporation such sums as are permitted by the rules and regulations of the Pennsylvania Savings Association Insurance Corporation and such borrowings shall be in accordance with such rules and regulations as may be prescribed by the Pennsylvania Savings Association Insurance Corporation.* An association may borrow from sources individual or corporate, an aggregate amount not in excess of fifty percent of its savings liability. An insured association shall also have the right to issue notes, bonds, debentures and other securities in accordance with such rules and regulations as are prescribed by the Federal Savings and Loan Insurance Corporation and the Department of Banking. Loans and other evidences of indebtedness may be secured by assets of the association. The pledge of assets may be with recourse. When authorized by statute, an association may also pledge its assets for public fund deposits to the extent the same are not insured.

* * *

(12) To act as trustee of funds or contributions received under a trust plan or instrument prepared in accordance with the requirements of the Self Employed Individuals Tax Retirement Act of 1962, its amendments and supplements, and the regulations promulgated thereunder, and the Employee Retirement System Income Security Act of 1974, its amendments and supplements, and the regulations promulgated thereunder, and as such trustee to invest such funds or contributions only in savings accounts, deposits, obligations and securities of the association which is insured by the Federal Savings and Loan Insurance Corporation pursuant to the provisions of the National Housing Act, its amendments and supplements *or by the Pennsylvania*

Savings Association Insurance Corporation established by the act of April 6, 1979 (P.L.17, No.5), entitled "An act establishing the Pennsylvania Savings Association Insurance Corporation and providing for its powers and duties."

* * *

[(16) To become an insured savings association under the insurance provisions of national housing legislation either by the Federal Savings and Loan Insurance Corporation or by any other Federal agency authorized by law to insure accounts of savings associations and to take all actions incident to maintenance of an insured status thereunder.]

* * *

(23) An *insured* association issuing mortgage backed bonds may reinvest the accumulated principal payments on the mortgage collateral under regulations prescribed by the Federal Savings and Loan Insurance Corporation, or the *Pennsylvania Savings Association Insurance Corporation*, or may establish a sinking fund with the accumulated principal payments on the mortgage collateral. Such sinking fund investments shall be in bonds or other interest bearing obligations of the United States, or those for the payment of the principal and interest on which the faith and credit of the United States is pledged.

* * *

Section 4. Subsection (c) of section 804 of the act, added November 26, 1978 (P.L.1397, No.329), is amended and subsections are added to read:

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

(c) [The] *Subject to the limitations of subsection (d) of this section, the regular* 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 *the rate, on an annualized basis, at which earnings were paid for the earnings distribution period immediately preceding June 1, 1980, or that permitted to be paid by [any] Pennsylvania chartered savings [association] associations insured by the Federal Savings and Loan Insurance Corporation whichever is the greater. [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 associa-

tion. [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 *and regular savings accounts*.

(d) As of three years from the effective date of this amendatory act, the rates of earnings on savings accounts issued by any association insured by the Pennsylvania Savings Association Insurance Corporation may not exceed the rates permitted to be paid by Pennsylvania chartered savings associations insured by the Federal Savings and Loan Insurance Corporation.

(e) Higher rate savings accounts issued subsequent to the date of this amendatory act by an association insured by the Pennsylvania Savings Association Insurance Corporation shall be subject to the limitation that rates of earnings on such accounts shall not be in excess of 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 higher rate savings accounts.

(f) On the effective date of this amendatory act, any association paying a rate of earnings on higher rate savings accounts in excess of that permitted to be paid by associations insured by the Federal Savings and Loan Insurance Corporation shall reduce, at the earliest date permissible under existing savings account contracts, the rate of earnings to those which are no higher than the rate of earnings permitted to be paid on the same classes of higher rate savings accounts by associations insured by the Federal Savings and Loan Insurance Corporation.

Section 5. Subsection (b) of section 823 of the act, added November 26, 1978 (P.L.1397, No.329), is amended to read:

Section 823. Account Insurance.—* * *

(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 savings account holders or create new savings accounts unless, prior to January 1, 1981, an application for insurance of its savings accounts has been filed with a public or private corporation authorized by law to insure accounts of savings associations or an application for merger under which an insured association shall be the resulting association has been filed with, as required, the department, the Pennsylvania Savings Association Insurance Corporation, the Federal Home Loan Bank Board or the Federal Savings and Loan Insurance Corporation. If such application is disapproved by the department, the Federal Home

Loan Bank Board, on behalf of the Federal Savings and Loan Insurance Corporation, or the Pennsylvania Savings Association Insurance Corporation subsequent to December 31, 1980, the uninsured association, immediately upon notification of such action, shall cease to accept further funds from savings account holders and shall not create new savings accounts.

Section 6. This act shall take effect immediately.

APPROVED—The 11th day of July, A. D. 1980.

DICK THORNBURGH