

No. 1979-5

AN ACT

HB 153

Establishing the Pennsylvania Savings Association Insurance Corporation and providing for its powers and duties.

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

Section 1. 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:

“Association.” Any building, savings or savings and loan association organized under the laws of this Commonwealth and any Federal savings and loan association incorporated pursuant to the Federal act of June 13, 1933 (48 Stat.128), known as the “Home Owners’ Loan Act of 1933,” which has its principal office in this Commonwealth and 75% of its total assets invested in this Commonwealth.

“Corporation.” The Pennsylvania Savings Association Insurance Corporation.

“Directors” or “board of directors.” The Board of Directors of the Pennsylvania Savings Association Insurance Corporation.

“Savings account.” Any sum of money deposited with an association in exchange for a promise to pay interest or earnings to or for the account of the depositors.

Section 2. Pennsylvania Savings Association Insurance Corporation.

A nonstock, nonprofit corporation is hereby created, which shall be known as the Pennsylvania Savings Association Insurance Corporation and the members of which shall be certain eligible associations of this Commonwealth as defined in section 1. Except as otherwise provided in this act, the corporation possesses all the powers, privileges and immunities which now are or hereafter may be conferred on corporations by the General Corporation Law applicable to corporations organized thereunder.

Section 3. Purposes and powers.

(a) **Purposes.**—The purposes of the corporation are to promote the elasticity and flexibility of the resources of member associations, to provide for the liquidity of such associations through a central reserve fund and to insure the savings accounts in such associations.

(b) **Powers.**—In furtherance of these purposes the corporation has the following powers:

(1) To provide for the liquidity of member associations through the creation of a central reserve fund for the purpose of making loans to member associations. The central reserve fund shall not be subject to payment of insurance claims against the corporation by member associations or their account holders or otherwise.

(2) To insure the savings accounts in member associations through the creation of a central insurance fund, which fund shall consist of capital contributions by each member in an amount equal to not less than 2% of the total savings on deposit with each member.

(3) To borrow money and otherwise incur indebtedness for any of its purposes; to issue its bond, debentures, notes or other evidences of indebtedness, whether secured or unsecured, therefor; and to secure the same by mortgage, pledge, deed of trust or other lien on its property, rights and privileges of every kind and nature or any part thereof.

(4) To lend money to, and to guarantee, endorse or act as surety on the bonds, notes, contracts or other obligations of or otherwise assist financially, any member association; and to establish and regulate the terms and conditions with respect to any such loans or financial assistance and the charges for interest and service connected therewith.

(5) To purchase, receive, hold, lease or otherwise acquire and to sell, convey, mortgage, lease, pledge or otherwise dispose of, upon such terms and conditions as its board of directors may deem advisable, real and personal property, together with such rights and privileges as may be incidental and appurtenant thereto and the use thereof, including, but not restricted to, any real or personal property acquired by the corporation from time to time in the satisfaction of debts or enforcement of obligations.

(6) To invest any of its funds, upon proper authorization thereof by the board of directors, in any of the following:

(i) Cash or deposits in checking or savings accounts, or under certificates of deposit in National or State banking institutions, to the

extent that such accounts are insured by the Federal Deposit Insurance Corporation. This condition regarding Federal insurance shall not apply to investments in certificates of deposit when such condition would result in a lower interest rate than would otherwise be available.

(ii) Savings accounts in associations to the extent that such accounts are insured by the Federal Savings and Loan Insurance Corporation.

(iii) Interest bearing bonds, notes, certificates of indebtedness, bills or other obligations of the United States, any state or the District of Columbia, or of any commission, instrumentality, agency, authority or political subdivision of the United States, any state or the District of Columbia, having legal authority to issue the same.

(iv) Interest bearing bonds, notes or other interest bearing obligations of any corporation created or existing under the laws of the United States, any state or the District of Columbia.

(v) Dividend paying stocks or shares having readily marketable values of any corporation created or existing under the laws of the United States or of any state. The board of directors may not invest more than 10% of its total assets in such stocks, nor more than 3% of its total assets in the stock of any one corporation.

(vi) Loans secured by first mortgages or deeds of trust on otherwise unencumbered fee simple real estate or improved leasehold property in this Commonwealth.

(vii) Ground rents in this Commonwealth.

(viii) Collateral loans secured by pledge of any security hereinabove named.

(ix) Direct loans to member associations under the terms and conditions established therefor by the board of directors.

(7) To exercise all other corporate powers granted by general law to corporations in this Commonwealth which are not inconsistent herewith and which are necessary or appropriate to the purposes hereof.

(c) Accumulated earnings.—The earnings shall be accumulated by the corporation and no part thereof shall be returned to member associations. The provisions of this subsection shall not prohibit the payment of interest by the corporation to member associations which have made deposits, loans or advances to the central reserve fund.

Section 4. Board of directors.

(a) Directors elected by member associations.—All of the corporate powers of the corporation shall be exercised by a board of directors, composed of 11 members who initially shall be appointed by the Governor within 60 days of the effective date of this act with the advice of the Secretary of Banking, and who shall serve until the first annual meeting. After a minimum of 25 associations have become members of the corporation, the first annual meeting of the corporation shall be held, and the member associations of the corporation shall elect eight directors, each of whom shall be a registered voter of and shall reside in this

Commonwealth. Of the directors elected at the first annual meeting, three shall be elected for terms of two years each, three shall be elected for terms of three years each and two shall be elected for terms of four years each, and thereafter all terms shall be for four years each.

(b) Directors appointed by Governor.—In addition to the eight directors elected by the member associations as provided in subsection (a), the Governor shall, with the advice of the Secretary of Banking, appoint three directors of the corporation, one for a term of two years, one for a term of three years and one for a term of four years. The terms shall commence on the date of the first annual meeting of the corporation, and thereafter all terms shall be for four years. Any director so appointed shall be a registered voter of and shall reside in this Commonwealth.

(c) Vacancies.—If any vacancy occurs in the membership of any director elected by the members of the corporation, through death, resignation or otherwise, the remaining directors shall within 60 days elect a person to fill the vacancy of the unexpired term. Any vacancy occurring in the term of director appointed by the Governor shall be filled by the Governor within 60 days, with the advice of the Secretary of Banking, for the unexpired term. Upon the expiration of the term of any director, the directorship shall remain vacant until his successor has been elected or appointed and has qualified. In no case shall a director whose term has expired continue to serve unless he is reelected or reappointed to a new term and has qualified.

(d) Quorum.—Six members of the board of directors are a quorum at any meeting thereof.

(e) Voting.—In the election of directors and in voting on any other matter legally to come before a meeting of the corporation, each member association of the corporation has one vote, to be cast by a delegate authorized to act by that association. A delegate may not vote on behalf of more than one member association. A majority of the votes so cast shall elect directors or determine any question put to a vote.

(f) Compensation.—The directors of the corporation may receive such reasonable compensation from the funds of the corporation as may be determined by the board of directors.

(g) Surety bonds of officers and employees.—The directors of the corporation shall fix the amount of the surety bonds of the officers and employees of the corporation conditioned upon the faithful performance of their duties, as provided in the bylaws of the corporation.

Section 5. Qualifications for membership in corporation.

(a) General rule.—

(1) The membership of the corporation consists of those associations:

(i) the quality and soundness of whose financial affairs, solvency, management and directorship have been certified to the corporation in an expeditious manner, as approved for insurance of savings accounts, by the Secretary of Banking; and

(ii) which have thereupon filed a formal application for membership accepted by the board of directors, which acceptance shall not be denied except for good cause shown regarding the quality and soundness of their financial affairs, solvency, management or directorship.

(2) The corporation may accept an applicant for membership subject to the imposition of certain conditions concerning the quality and soundness of the applicant's financial affairs, solvency, management and directorship.

(3) Subject to the conditions set forth in paragraphs (1) and (2), every association of this Commonwealth may become a member of the corporation and may invest in and pay such assessments, premiums and other charges as may be required for participation in the corporation. Membership in the corporation is for the life of the corporation, subject to the bylaws, rules and regulations of the corporation.

(b) Withdrawal.—Any member may withdraw from the corporation upon written notice given one year in advance of the intended date of withdrawal and upon complying with the bylaws, rules and regulations of the corporation.

Section 6. Exchange of information.

The laws of this Commonwealth, including but not limited to the act of May 15, 1933 (P.L.565, No.111), known as the "Department of Banking Code," shall be construed and applied so as not to prevent an exchange of information relating to associations and their business, between the Secretary of Banking and representatives of the corporation. Any document or information supplied to the corporation by the Secretary of Banking shall be kept confidential unless the Secretary of Banking specifically specifies otherwise, and violation of such confidentiality shall subject the personnel of the corporation to the same sanctions to which the Secretary of Banking would be subject under the "Department of Banking Code."

Section 7. Faith or credit of Commonwealth not pledged.

Under no circumstances is the faith or credit of the Commonwealth of Pennsylvania pledged herein.

Section 8. Bylaws, rules and regulations.

(a) General rules and regulations.—Within 60 days of its appointment and before the acceptance of the membership of any associations, the board of directors shall promulgate, subject to the approval of the Secretary of Banking, such bylaws, rules and regulations as may be necessary and proper to carry out the provisions of this act and as are not inconsistent with this act. Thereafter, the bylaws, rules and regulations so adopted may be amended or revoked by the board of directors and will, upon approval of the Secretary of Banking become effective upon their adoption. The rules and regulations shall establish a limit on the amount of insurance which may be provided for each separate savings account of an association; and this limit shall be the amount of prevailing insurance

available from the Federal Savings and Loan Insurance Corporation or its successor instrumentality from time to time.

(b) Internal rules and regulations.—The board of directors shall have the power to adopt such bylaws, rules and regulations which may be necessary for the internal operations of the corporation.

Section 9. Corporation or member associations not subject to insurance laws.

Neither the corporation, the member associations, nor those persons owning savings accounts therein are subject to the provisions of any laws of this Commonwealth concerning insurance by reason of participation herein except that the provisions of section 641, act of May 17, 1921 (P.L.789, No.285), known as "The Insurance Department Act of one thousand nine hundred and twenty-one," shall continue to apply.

Section 10. Liability of officer or director upon contracts.

No officer or director of the corporation, whether appointed or elected, is personally liable upon any of its contracts legally entered into on behalf of the corporation unless the same by its terms shall expressly obligate him or them.

Section 11. Perpetual life of corporation.

The life of the corporation is perpetual.

Section 12. Exemption from taxation.

The corporation is exempt from all special and ordinary taxes and from documentary stamp and transfer taxes imposed by this Commonwealth or any political subdivision thereof.

Section 13. Application for membership.

(a) Applications before organization of board.—All applications from associations for membership received by the corporation prior to appointment and organization of the board of directors shall be referred to the Secretary of Banking. The Secretary of Banking shall examine the affairs of all such applicants and as a result thereof if he finds the applicants to meet the qualifications for membership in the corporation set forth herein under section 5, he shall so certify them. The corporation shall not extend the benefits to be accorded to member associations to any applicant until:

(1) it has received the report and recommendation as provided herein from the Secretary of Banking as to such applications so filed prior to appointment and organization of the board of directors and has acted thereon in accordance with section 5; and

(2) it has accepted for membership a minimum of 25 associations having savings accounts in the aggregate total of at least \$25,000,000.

(b) Applications after organization of board.—All applications from associations for membership received by the corporation subsequent to appointment and organization of the board of directors shall be made to the corporation. The corporation shall then refer this preliminary application to the Secretary of Banking within 30 days of receipt thereof for action in accordance with the requirements set forth herein under section 5.

Section 14. Functions of Secretary of Banking.

(a) Requiring corporation to discharge its obligation.—In the event of the refusal of the corporation to commit its funds or otherwise to act for the protection of depositors of any member association of the corporation, the Secretary of Banking may apply to the Commonwealth Court for an order requiring the corporation to discharge its obligation under this act and for such other relief as the court may deem appropriate to carry out the purposes of this act.

(b) Examinations and inspections; reports.—The Secretary of Banking may make such examinations and inspections of the corporation and require the corporation to furnish him with such reports and records or copies thereof as the Secretary of Banking may consider necessary or appropriate in the public interest or to effectuate the purposes of this act. As soon as practicable after the close of each fiscal year, the corporation shall submit to the Secretary of Banking a written report relative to the conduct of its business and the exercise of the other rights and powers granted by this act, during such fiscal year. Such report shall include financial statements setting forth the financial position of the corporation at the end of such fiscal year and the results of its operations, including the source and application of its funds, for such fiscal year. The financial statements so included shall be examined by an independent public accountant, or firm of independent public accountants, selected by the corporation and satisfactory to the Secretary of Banking, and shall be accompanied by the report thereon of such accountant or firm.

Section 15. Filing certificate of commencement of business.

After the first meeting of the board of directors, a certificate shall be filed by the board of directors with the Department of State certifying that the corporation has commenced business as provided in this act. Such certificate shall be conclusive evidence that business was begun.

Section 16. Termination of existence of corporation.

If the corporation fails to insure savings accounts by January 1, 1981, its existence terminates at that time without further action by the General Assembly and the Governor, the provisions of this act then are null and void and shall expire on January 1, 1981.

Section 17. Effective date.

This act shall take effect in 60 days.

APPROVED—The 6th day of April, A. D. 1979.

DICK THORNBURGH