

BUILDING AND LOAN ASSOCIATIONS

CHAPTER 99

SENATE BILL NO. 2117

(Industry, Business and Labor Committee)

(At the request of the Department of Banking and Financial Institutions)

SAVINGS AND LOAN ASSOCIATION CONVERSION

AN ACT to create and enact two new sections to chapter 7-01 of the North Dakota Century Code, relating to a state or federal savings and loan association conversion to a state-chartered commercial bank; and to amend and reenact sections 6-03-13.5, 7-01-07, 7-02-11.1, and 7-02-14 of the North Dakota Century Code, relating to a state or federal savings and loan association conversion to a state-chartered commercial bank, federal deposit insurance, and powers granted to state-chartered associations.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Section 6-03-13.5 of the 1995 Supplement to the North Dakota Century Code is amended and reenacted as follows:

6-03-13.5. National bank, federal savings association, or state savings and loan association conversion to state bank. A national bank, federal savings association, or state savings and loan association located in this state which follows the procedure prescribed by federal law to convert into a state bank, must be granted a state charter if it meets the provisions of the North Dakota Century Code for the incorporation and chartering of a new state bank. Any requirement that shares must be paid in cash may be satisfied by the exchange of shares of the converted state bank for those of the converting national bank, federal savings association, or state savings and loan association, which may be valued at no more than their fair cash market value. The procedure for incorporation of a state bank may be modified by the ~~state banking~~ board to the extent made necessary by the difference between an ordinary incorporation and a conversion and no public hearing need be held on a conversion application. A national bank, federal savings association, or state savings and loan association proposing to convert into a state-chartered bank shall grant the commissioner discretionary authority to conduct an examination. The commissioner shall set fees for ~~such~~ the examination at an hourly rate sufficient to cover all reasonable expenses of the department of banking and financial institutions associated with the examination. Fees must be collected by the commissioner, transferred to the state treasurer, and deposited in the financial institutions' regulatory fund.

SECTION 2. AMENDMENT. Section 7-01-07 of the North Dakota Century Code is amended and reenacted as follows:

7-01-07. Certificate of state banking board required - Examination by board - Review by court - Federal savings and loan deposit insurance required. ~~Whenever~~ If the articles of incorporation of a proposed association are in due form and regularly executed and the bylaws have been approved as required by this chapter, the state

banking board shall ascertain the responsibility, character, and general fitness of the incorporators, ~~and whether or not~~ there is a reasonable need for the existence of ~~such an~~ the association, and whether ~~or not~~ the public convenience and advantage will be promoted thereby. If the banking board is not satisfied with the result of its investigation, within sixty days after ~~said~~ the articles of incorporation and bylaws have been presented to ~~it~~ the board, ~~it~~ the board shall endorse upon each copy of the articles of incorporation the word "refused", ~~with~~ the date of ~~such~~ the endorsement, and the reason for ~~such~~ the refusal; ~~and~~. The board shall return ~~forthwith~~ one copy of ~~such~~ the articles of incorporation to the proposed incorporators from whom the ~~same was~~ articles were received; ~~and such~~. The refusal is conclusive unless the incorporators, within thirty days after the issuance of ~~such~~ the notice of refusal, apply to the district court of Burleigh County, North Dakota, for a writ of mandamus to compel the filing of ~~such~~ the articles of incorporation and granting of a certificate to do business. A savings and loan association shall, after July 1, 1979, secure federal ~~savings and loan insurance corporation~~ deposit insurance with an agency or instrumentality of the United States of America of accounts before it is authorized to commence business. Evidence of securing ~~such~~ that insurance must be furnished to the commissioner before the certificate of authority ~~may be~~ is delivered to the savings and loan association.

SECTION 3. A new section to chapter 7-01 of the North Dakota Century Code is created and enacted as follows:

State savings and loan association conversion to state bank. A state savings and loan association located in this state which follows the procedure prescribed by the board to convert into a state bank, must be granted a state charter if it meets the provisions of the North Dakota Century Code for the incorporation and chartering of a new state bank. Any requirement that shares must be paid in cash may be satisfied by the exchange of shares of the converted state bank for those of the converting state savings and loan association, which may be valued at no more than their fair cash market value. The procedure for incorporation of a state bank may be modified by the board to the extent made necessary by the difference between an ordinary incorporation and a conversion and no public hearing need be held on a conversion application. A state savings and loan association proposing to convert into a state-chartered bank shall grant the commissioner discretionary authority to conduct an examination. The commissioner shall set fees for the examination at an hourly rate sufficient to cover all reasonable expenses of the department of banking and financial institutions associated with the examination. Fees must be collected by the commissioner, transferred to the state treasurer, and deposited in the financial institutions' regulatory fund.

SECTION 4. A new section to chapter 7-01 of the North Dakota Century Code is created and enacted as follows:

Savings association conversion. A federal savings association may convert to a state association under this chapter upon the following terms:

1. The conversion must be approved by vote of the members or shareholders cast in person or by proxy at a special meeting called to consider the action;
2. Notice of the meeting must expressly state the purpose, time, and place of the meeting, and must be mailed, postage prepaid, at least thirty, and not more than sixty days, before the date of the meeting to each member or shareholder of record at the address shown on the association's books;

3. The conversion must be approved by fifty-one percent or more of the votes cast at the meeting; and
4. The conversion must be confirmed by action of applicable federal regulatory authorities and the board.

SECTION 5. AMENDMENT. Section 7-02-11.1 of the North Dakota Century Code is amended and reenacted as follows:

7-02-11.1. Operation without federal savings and loan account deposit insurance prohibited - Liability - Penalty. No state savings and loan association may, after December 31, 1979, engage in the savings and loan business without securing and continuing in force ~~federal savings and loan insurance corporation~~ insurance of accounts with an agency or instrumentality of the United States of America. Any officer or director of any state savings and loan association who violates this section is guilty of a class A misdemeanor and is personally liable to any person aggrieved for any damages caused by the violation.

SECTION 6. AMENDMENT. Section 7-02-14 of the North Dakota Century Code is amended and reenacted as follows:

7-02-14. Powers granted federally chartered savings and loan associations extended to state-chartered associations. Any provision of law to the contrary notwithstanding, any state-chartered savings and loan association having insurance of accounts with ~~the federal savings and loan insurance corporation~~ an agency or instrumentality of the United States of America may, in addition to any loan, investment, ~~or~~ account, or activity now permitted, make any loan, investment, or account ~~which such that the~~ association could make or offer were it incorporated and operating as, or engage in any activity authorized for a federal savings and loan association with its domicile in this state. To the extent that the additional loans, investments, ~~or~~ accounts, or activities hereby authorized, are an enlargement of powers already granted by law, ~~then such the~~ additional loans, investments, and accounts, and activities must be ~~made~~ made on the same terms and conditions and subject to the same limitations as are now permitted or as may hereafter be permitted in case of federally chartered savings and loan associations under presently existing, or later adopted regulations of the ~~federal home loan bank board and the rules and regulations for the federal savings and loan system, or otherwise applicable federal regulatory agency.~~ Any authority that is subject to discretionary approval by the federal regulatory agency is subject to discretionary approval by the state banking board.

Approved April 1, 1997
Filed April 2, 1997