

**SENATE BILL NO. 2117  
with House Amendments**

Fifty-fifth  
Legislative Assembly  
of North Dakota

**SENATE BILL NO. 2117**

Introduced by

Industry, Business and Labor Committee

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

1 A BILL for an Act to create and enact two new sections to chapter 7-01 of the North Dakota  
2 Century Code, relating to a state or federal savings and loan association conversion to a  
3 state-chartered commercial bank; and to amend and reenact sections 6-03-13.5, 7-01-07,  
4 7-02-11.1, and 7-02-14 of the North Dakota Century Code, relating to a state or federal savings  
5 and loan association conversion to a state-chartered commercial bank, federal deposit  
6 insurance, and powers granted to state-chartered associations.

7 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

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

10 **6-03-13.5. National bank, federal savings association, or state savings and loan**  
11 **association conversion to state bank.** A national bank, federal savings association, or state  
12 savings and loan association located in this state which follows the procedure prescribed by  
13 federal law to convert into a state bank, must be granted a state charter if it meets the  
14 provisions of the North Dakota Century Code for the incorporation and chartering of a new state  
15 bank. Any requirement that shares must be paid in cash may be satisfied by the exchange of  
16 shares of the converted state bank for those of the converting national bank, federal savings  
17 association, or state savings and loan association, which may be valued at no more than their  
18 fair cash market value. The procedure for incorporation of a state bank may be modified by the  
19 ~~state banking~~ board to the extent made necessary by the difference between an ordinary  
20 incorporation and a conversion and no public hearing need be held on a conversion application.  
21 A national bank, federal savings association, or state savings and loan association proposing to  
22 convert into a state-chartered bank shall grant the commissioner discretionary authority to  
23 conduct an examination. The commissioner shall set fees for ~~such~~ the examination at an  
24 hourly rate sufficient to cover all reasonable expenses of the department of banking and

1 financial institutions associated with the examination. Fees must be collected by the  
2 commissioner, transferred to the state treasurer, and deposited in the financial institutions'  
3 regulatory fund.

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

6 **7-01-07. Certificate of state banking board required - Examination by board -**  
7 **Review by court - Federal ~~savings and loan~~ deposit insurance required.** ~~Whenever~~ If the  
8 articles of incorporation of a proposed association are in due form and regularly executed and  
9 the bylaws have been approved as required by this chapter, the state banking board shall  
10 ascertain the responsibility, character, and general fitness of the incorporators, ~~and whether or~~  
11 ~~not~~ there is a reasonable need for the existence of ~~such an~~ the association, and whether or not  
12 the public convenience and advantage will be promoted thereby. If the banking board is not  
13 satisfied with the result of its investigation, within sixty days after ~~said~~ the articles of  
14 incorporation and bylaws have been presented to ~~it~~ the board, ~~it~~ the board shall endorse upon  
15 each copy of the articles of incorporation the word "refused", ~~with~~ the date of ~~such~~ the  
16 endorsement, and the reason for ~~such~~ the refusal, ~~and~~. The board shall return ~~forth~~ with one  
17 copy of ~~such~~ the articles of incorporation to the proposed incorporators from whom the ~~same~~  
18 ~~was~~ articles were received, ~~and such~~. The refusal is conclusive unless the incorporators, within  
19 thirty days after the issuance of ~~such~~ the notice of refusal, apply to the district court of Burleigh  
20 County, North Dakota, for a writ of mandamus to compel the filing of ~~such~~ the articles of  
21 incorporation and granting of a certificate to do business. A savings and loan association shall,  
22 after July 1, 1979, secure federal ~~savings and loan insurance corporation~~ deposit insurance  
23 with an agency or instrumentality of the United States of America of accounts before it is  
24 authorized to commence business. Evidence of securing ~~such~~ that insurance must be  
25 furnished to the commissioner before the certificate of authority ~~may be~~ is delivered to the  
26 savings and loan association.

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

29 **State savings and loan association conversion to state bank.** A state savings and  
30 loan association located in this state which follows the procedure prescribed by the board to  
31 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

1 ~~federal savings and loan insurance corporation~~ insurance of accounts with an agency or  
2 instrumentality of the United States of America. Any officer or director of any state savings and  
3 loan association who violates this section is guilty of a class A misdemeanor and is personally  
4 liable to any person aggrieved for any damages caused by the violation.

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

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