

MINUTES OF THE SENATE COMMITTEE ON COMMERCIAL AND FINANCIAL INSTITUTIONS

The meeting was called to order by Sen. Neil H. Arasmith at  
Chairperson

9:00 a.m./~~p.m.~~ on March 2, 1983 in room 529-S of the Capitol.

All members were present except:

Sen. Hess - Excused

Committee staff present:

Bill Wolff, Legislative Research  
Bruce Kinzie, Revisor's Office

Conferees appearing before the committee:

Jim Turner, Kansas Savings and Loan League

The minutes of March 1 were approved.

The hearing began on SB 319 dealing with the inclusion of savings banks in the definition of a savings and loan association. Jim Turner, Kansas Savings and Loan League, appeared in support of the bill. (See Attachment I.) The chairman asked Mr. Turner for a definition of a savings bank. Mr. Turner replied that a savings bank is a financial institution found on the east coast and in the state of Washington and is more closely akin to a savings and loan. The two main differences from a savings and loan is in marketing (being able to use "bank" in its title) and in the tax advantage as to the percentage invested in housing related loans required for the use of a 40% bad debt deduction. The chairman asked for a definition of "bad debt deduction". Mr. Turner said that it is an incentive to use the bulk of the funds for housing because 40% of these funds are taken for reserves. The chairman asked why Mr. Turner has included only federally-chartered savings and loans. Mr. Turner answered that to do the same for state-chartered savings and loans would require the creation of a whole new statute, however, if done as he has asked in the bill, a state-chartered savings and loan could convert to a savings bank by just converting to a federal charter. The hearing on SB 319 was concluded. Short committee discussion followed.

Sen. Pomeroy made a motion to report SB 319 favorably. Sen. Harder seconded the motion. The motion carried.

Committee discussion began on SB 145 which had been previously heard and which deals with insurance holding companies. The chairman reminded the committee of the three amendments, the first to reinsert "and" on line 28, the second to strike all after "policyholders" on line 177 up to the ";" on line 179, and the third to add "such" after "each" on line 245. The committee briefly discussed these proposed amendments.

Sen. McCray made a motion to amend SB 145 in the three ways described. Sen. Pomeroy seconded the motion. The motion carried.

Sen. McCray made a motion to report SB 145 favorably as amended. Sen. Harder seconded the motion. The motion carried.

The chairman said that he had no plans for further hearings on Senate bills and that the committee would not meet for the remainder of the week or next week. He asked if any of the committee members had comments about the remaining bills in committee.

Sen. Feleciano made a motion to report SB 215, dealing with unclaimed property, favorably. Sen. Karr seconded the motion. The motion carried.

The meeting was adjourned.

SENATE COMMITTEE

ON

COMMERCIAL AND FINANCIAL INSTITUTIONS

OBSERVERS  
(Please print)

DATE	NAME	ADDRESS	REPRESENTING
3-2	MARVIN UMHOLTZ	TOPEKA	KCLL
3-2	Brenda McEllis	Florence Ks	Marion High School
3-2	Patty Medina	Florence Ks	Marion High School
3-2	Kathy Hayes	Florence Ks	Marion High School
3-2	Jerry Olsen	Marion Ks	Marion High School
3-2	Doug Kjellin	Marion	Marion H.S.
3-2	Joe Makovec	Marion	Marion HS
3-2	Jim Turner	Topeka	KSL
3-2	Tom Wilder	Topeka	KSL



JAMES R. TURNER  
PRESIDENT

SUITE 612 • 700 KANSAS AVE. • TOPEKA, KANSAS 66603 • PHONE (913) 232-8215

March 2, 1983

TO: SENATE COMMITTEE ON COMMERCIAL AND FINANCIAL INSTITUTIONS  
FROM: JIM TURNER, KANSAS SAVINGS AND LOAN LEAGUE  
RE: S.B. 319 (FEDERALLY CHARTERED SAVINGS BANKS)

The Kansas Savings and Loan League appreciates the opportunity to appear before the Senate Commercial and Financial Institutions Committee in support of S.B. 319. This proposal would amend K.S.A. 17-552~~95~~ to specify that any reference in the Kansas statutes to federally chartered savings and loan associations also includes federally chartered savings banks.

Recently the United States Congress approved the Garn-St. Germain Depository Institutions Act of 1982. Title I of this legislation permits federally chartered savings and loan associations to convert to a federal savings bank charter. Except for certain provisions of the internal revenue code, savings banks and savings and loan associations have the same powers and authority under federal law. Attached are the Federal Home Loan Bank Board regulations dealing with charter conversion.

The passage of S.B. 319 would assure those Kansas savings and loans which choose to convert to a federal savings bank charter that they are in conformity with Kansas law governing savings associations. An alternative would be to separately amend over seventy statutes which refer to savings and loan associations. We would appreciate the committee's earliest consideration of reporting S.B. 319 favorably for passage.

James R. Turner  
President

JRT:bw

Encl.

REPRESENTING THE SAVINGS AND LOAN BUSINESS OF KANSAS  
"MEETING HOUSING NEEDS AND HUMAN NEEDS"

Attachment I

(1) the Principal Supervisory Agent has recommended the imposition of nonstandard conditions prior to approving the merger;

(2) the Principal Supervisory Agent, notwithstanding the applicability of paragraphs (d)(1)(v) through (x) of this section, has determined that but for the merger, the merging institution would not satisfy minimum financial standards as determined from time to time by the Board's Office of Examinations and Supervision (*i.e.*, it is a failing institution); or

(3) the Principal Supervisory Agent has granted any of the following forbearances with respect to supervisory action:

(i) For purposes of the resulting institution's satisfaction of the net-worth calculation of §563.13(b) of this Part, the Principal Supervisory Agent may exclude, for up to a five-year period, operating losses on acquired assets, capital losses sustained by the resulting institution upon disposition of acquired assets, acquired scheduled items, and the amount of either (A) the net-worth deficiency at the date of merger, or (B) liabilities, including averaged liabilities, of the acquired institution;

(ii) For purposes of calculating the liquidity requirements of §§523.11(a) and 523.12 of this Chapter, the Principal Supervisory Agent may exclude, for up to one year, any liquidity deficiency which the acquired institution has and, also for one year, any aggregate net withdrawals from the acquired institution;

(iii) For purposes of calculating the resulting institution's investments under §545.10(a) of this Chapter, the Principal Supervisory Agent may exclude the building investments of the acquired institution;

(iv) For the purpose of calculating any holding company net-worth maintenance requirement, the Principal Supervisory Agent may exclude, for up to a five-year period, the assets and liabilities balances of the acquired institution; and

(v) For purposes of calculating the eligibility of the resulting institution under §§545.9(h)(1), 545.9-1(d)(2) and

(4), and 563.8(e)(1) of this Chapter, the Principal Supervisory Agent may, for a five-year period, compute net worth in accordance with subparagraph (3)(i) of this paragraph (e) and may, for a five-year period, exclude from scheduled items those scheduled items acquired in the merger.

For purposes of this paragraph (e)(3), the Principal Supervisory Agent may agree to forbear from taking supervisory action if the acquiring institution can demonstrate, by projections or otherwise, that its net worth will be adversely affected by the merger within a five-year period. The Principal Supervisory Agent may approve, with the concurrence of the Director of the Board's Office of Examinations and Supervision, the renewal of any supervisory forbearances, for up to five additional years, where the institution can demonstrate the need for extended supervisory forbearances, a record of substantial corrective action and the extent of noncompliance caused by the acquisition of the acquired institution.

The authority to approve mergers under this paragraph (e) is discretionary with the Principal Supervisory Agent. It is expected that when a merger subject to these delegations raises significant issues of law or policy for which the Corporation has not established a formal position, the Principal Supervisory Agent will refer that merger application to the Corporation for its consideration.

#### PART 563b — CONVERSIONS FROM MUTUAL TO STOCK FORM

1. Amend §563b.4(b)(1) by substituting the number "10" for the number "20" in the second paragraph of the Notice set forth in that subparagraph.

(Section 5 of the Home Owners' Loan Act, 48 Stat. 132 (12 U.S.C. §1464); secs. 402, 403, and 407 of the National Housing Act, 12 U.S.C. §§1725, 1726, & 1730; Reorg. Plan No. 3 of 1947, 12 FR 4981, 3 CFR 1071 (1943-48 Comp.))

By the Federal Home Loan Bank Board

## FHLBB FINAL RULE ON CHARTER CONVERSIONS

### FEDERAL HOME LOAN BANK BOARD

12 CFR Parts 523, 541, 543, 544, 545, 546, 547, 549, 552, 561, 563, 563b, 564, 565, 569a, 575, 576, 577, 578, 583, and 584

#### Charters and Bylaws Available to Federal Associations, and Related Amendments; Processing of Applications

AGENCY: Federal Home Loan Bank Board

ACTION: Final rule; Request for comments

SUMMARY: In order to implement statutory revisions contained in Public Law 97-320, the Garn-St Germain Depository Institutions Act of 1982, the Federal Home Loan Bank Board has amended its regulations governing federal association charters. Under the amendments, all federal associations (or those seeking to convert to federal associations) may elect to be chartered either as federal savings and loan associations or as federal savings banks. In addition, federal charters, whether in the stock or mutual form, may be obtained by state-chartered savings banks without the requirement that they surrender their Federal Deposit Insurance Corporation ("FDIC") insurance in favor of insurance of accounts from the Federal Savings and Loan Insurance Corporation ("FSLIC"). No charter already issued will have to be amended if an institution is content with the *status quo*; any amendment will be purely a business

decision for an institution. Because of the addition of FDIC-insured federal savings banks to the list of Board regulatees, numerous technical and conforming amendments have been made, particularly in the merger area. This, in large degree, has been required as a result of the fact that many regulations designed to apply to federal associations are cast in terms of whether an institution is an "insured institution," *i.e.*, one the accounts of which are insured by the FSLIC.

As an additional matter, the Board also is consolidating its application process for all *de novo* federal mutual associations. The amendments will combine the Permission to Organize application and the Petition for Charter application. The Board will propose *de novo* federal stock institution application regulations in the near future.

These changes should prove extremely beneficial to thrift institutions. A wider range of thrifts will have access to a greater variety of federal charter forms, and to the increased empowerments and flexibility that accompany those charters. Moreover, the process of applying to organize a federal association will be simplified and streamlined, benefiting those seeking to enter the thrift industry.

EFFECTIVE DATE: December 15, 1982; Comments must be received by February 22, 1983.

ADDRESS: Send comments to Director, Information Services Section, Office of Communications, Federal Home

Loan Bank Board, 1700 G Street, N.W., Washington, D.C. 20552. Comments will be available for public inspection at this address.

FOR FURTHER INFORMATION, PLEASE CONTACT: Randall H. McFarlane, Legislative Counsel, Office of General Counsel (202-377-6449), David A. Permut, Attorney, Office of General Counsel (202-377-6962), Diane Boyle, Office of District Banks (202-377-6720) or Donna K. Ralston, Attorney, Office of General Counsel (202-377-6421).

**SUPPLEMENTARY INFORMATION:**

**CHARTERS AVAILABLE TO FEDERAL ASSOCIATIONS,  
AND RELATED AMENDMENTS**

**A. OVERVIEW**

On October 15, 1982, the Garn-St Germain Depository Institutions Act of 1982 ("Act"), Public Law 97-320, was enacted. A major thrust of the Act is to broaden greatly the chartering and organizational options open to federal associations. Previously, federal associations could be organized on a *de novo* basis only as federal mutual savings and loan associations. The Board could charter federal savings banks, but only as mutual institutions with accounts insured by the FSLIC, and only as a direct consequence of a conversion from a state-chartered mutual savings bank. The Act not only permits *de novo* organization of federal savings banks, it allows any current or future federal association to be chartered either as a federal savings and loan association or a federal savings bank. Furthermore, federal charters, whether in the stock or mutual form, may be obtained by state-chartered savings banks without the requirement that they surrender their FDIC insurance in favor of FSLIC insurance of accounts. The Act also considerably broadens the statutory purposes of federal associations: prior to the passage of the Act, the basic purpose of a federal association was to act as a place for the investment of funds and as a source of investment for housing. The statutory purposes of federal associations now include the financing of all goods and services.

The Board has determined to respond to these changes basically by creating four new charter forms, which will be accessible to all federal mutual associations or those institutions qualifying to convert to federal associations. Any institution wishing to organize as, or convert to, a federal mutual savings bank will seek a Charter B (Revised) instead of a Charter B. An association desirous of organizing as, or converting to, a federal stock savings bank will elect a Charter T. Those that wish to organize as, or convert to, federal mutual savings and loan associations, will have to obtain a Charter N (Revised) rather than a Charter N, or a Charter L rather than a Charter K (Revised). All the new mutual charters contain conforming changes to reflect, as a result of the Act, the broader purposes of federal associations. Charter T follows the very broadly phrased language of Charter S (for federal stock savings and loan associations). Current holders of charters will not have to amend their charters or seek new charters unless they perceive a business or other benefit, such as the ability to operate as a federal savings bank. In the interest of rapid implementation of the Act, the Board has not attempted to make extensive changes in its previous charter forms, although it believes such changes may be appropriate. The Board intends, however, to examine the need for a broad restructuring of its charter forms in the near future, and has instructed its staff to develop proposals on this subject.

Because the Act provides, for the first time, for Board regulation of FDIC-insured institutions, it has been necessary to make a large number of amendments to prior

regulations to permit these institutions to fit rationally into a regulatory scheme largely keyed to a description of regulatees as "insured institutions," i.e., institutions the accounts of which are insured by the FSLIC. Among the more important of these were amendments adjusting the Board's merger regulations to accommodate the presence of FDIC-insured organizations.

**B. FEDERAL MUTUAL SAVINGS BANKS**

Previous regulations governing federal mutual savings banks ("FMSBs") were found in 12 CFR Parts 575, 576, 577 and 578. Given the wider availability of the FMSB charter option, previously open only to converted state mutual savings banks, the removal by the Act of distinctions between FMSBs and other federal associations in such areas as branching and discrimination requirements, and the substantial changes made regarding grandfathering, it was determined to repeal those Parts, after making appropriate regulatory adjustments elsewhere in 12 CFR Part 544. Thus, 12 CFR 544.1(c) will contain Charter B (Rev.), the form that will be used by new FMSBs. That form will be virtually the same as the former Charter B, basically containing changes intended to conform to the broadened purposes of federal associations, the availability of authority to offer demand accounts as well as savings accounts, the repeal of former restrictions on equity, corporate bond and consumer loan investments, and the existence of FDIC-insured FMSBs not subject to FSLIC insurance reserve requirements. FMSBs, except as specifically noted in the regulations or their charters, will have the same powers and be subject to the same requirements as other federal associations.

**C. FEDERAL STOCK SAVINGS BANKS**

Federal associations (whether FSLIC-insured or FDIC-insured) wishing to operate as federal stock savings banks will do so under new Charter T, found at 12 CFR 552.3. Charter T essentially is Charter S with the phrase "Charter T" substituted for "Charter S," the words "Federal Savings Bank" substituted for the words "Federal Savings and Loan Association," and the word "bank" substituted for the word "association". Charter T associations will be regulated, except as specifically provided in their charters or by regulation, on the same basis as other federal associations. Any association in the mutual form must convert to the stock form pursuant to the provisions of 12 CFR Part 563b in order to obtain a Charter T.

**D. FEDERAL SAVINGS AND LOAN ASSOCIATIONS**

Charters for new mutual-form federal savings and loan associations previously were issued either as Charter N, under 12 CFR 544.1(a), or as Charter K (rev.), under §544.1(b). Charters issued under those provisions are being modified slightly to reflect changes resulting from the Act, and are redesignated as Charter N (Rev.) and Charter L, respectively. The changes involve restating the purpose of an association as being to pursue the lawful objectives of a federal association, rather than simply to promote thrift and economical home financing, and conforming the Charters, previously oriented only to holders of savings accounts, to reflect the existence of demand accounts.

**E. ADOPTION BY FEDERAL ASSOCIATIONS OF  
NEW FEDERAL CHARTERS**

Large numbers of federal associations have expressed interest in converting to federal savings banks. Under these amendments, a federal savings and loan association may become a federal savings bank (and vice versa) only in connection with a change of charter under 12 CFR 544.3.

This requirement is contained in 12 CFR 543.1(b), dealing with title changes. Section 544.3, which previously dealt only with changes to Charter K (rev.) from Charter N, now governs all situations where a federal mutual association seeks a new form of federal mutual charter, or a federal stock association seeks a new form of federal stock charter. The simple procedure of the old regulation, however, is preserved: when notified by an institution's board that a majority of the institution's members or stockholders have approved adoption of a new form of federal charter, the Board will issue the charter in the form desired, upon approval of any change sought in name or location. Approval of the change, however, now may be made by the Principal Supervisory Agent.

#### F. MERGERS

Previously, the merger regulations for federal mutual associations, found at 12 CFR Part 546, and for federal stock associations, found at 12 CFR Part 552, contemplated mergers only with FSLIC-insured institutions. With the provision of authority to charter FDIC-insured federal associations, it has been necessary to make certain regulatory adjustments. Accordingly, 12 CFR 546.1 (a) is amended to allow: under subparagraph (1), mergers between FSLIC-insured federal associations and other FSLIC-insured institutions, as per prior regulation; under subparagraph (2), mergers between FDIC-insured federal associations and other FDIC-insured institutions, provided laws applicable to the non-federal associations are complied with (for instance, the provisions of the Bank Merger Act (12 U.S.C. §1828)); and under subparagraph (3), mergers between FDIC-insured federal associations and FSLIC-insured institutions, subject to prior FDIC approval and compliance with such law as may be applicable to the non-federal associations involved. Additionally, the Board has amended §546.2(h)(5), which relates to the need for Board approval of mergers where the proposed resulting association has Community Reinvestment Act deficiencies or deficiencies in complying with the Board's nondiscrimination regulation, to exempt resulting associations that are neither federal associations nor FSLIC-insured, and that thus are outside the agency's jurisdiction in those areas. In a similar conforming change, §546.2(h)(6) is amended to exempt, in effect, mergers with resulting associations that are neither federal associations nor FSLIC-insured from a requirement that approval of mergers involving resulting associations not in compliance with the net-worth requirements of 12 CFR 563.13 must be by the Board. Other amendments include a revision of 12 CFR 546.1(a) to expand the definition of "association" to include commercial banks eligible to merge with a federal association, and a revision of 12 CFR 546.2(g), concerning the law governing effective dates of mergers, to cover the possibility of resulting associations other than federal associations that would not be subject to state law requirements.

Similar changes are made to the federal stock association merger regulations in 12 CFR 552.13. Section 552.13(c)(1), which previously limited merger partners to institutions insured by the FSLIC, is amended to stipulate that, where a transaction involves an FDIC-insured federal association, the constituent associations may be either FDIC-insured or FSLIC-insured (including interim federal and interim state associations). Another change in §552.13(b)(1) provides an additional exception to the rule that a mutual association must survive its merger with a Charter S or T association. This amendment incorporates the new exception into §552.13(c)(1) in conformity with an amendment to §563b.10 of the Rules and Regulations for Insurance of Accounts (12 CFR 563.10) which authorized, on a test case basis, the filing

of applications for the non-supervisory merger of insured mutual institutions into insured stock institutions. (See Board Res. No. 82-390); 47 FR 24252 June 4, 1982. Section 552.13(b)(1) is revised to include commercial and industrial banks within the definition of association. In addition, the provision governing Board approval, §552.13(d), is amended, as required by statute, to require prior FDIC approval of mergers of FDIC-insured federal associations with entities not so insured, and §552.13(e), concerning board-of-director approval, is amended to acknowledge that state law may not always be determinative with respect to what procedure a board must observe to approve a merger. Finally, §552.13(l), dealing with effective dates of mergers, is revised to recognize that state law may not be the proper source of authority as to what date is proper where a resulting association is not a federal association.

#### G. DELEGATION OF AUTHORITY REGARDING STATE STOCK TO FEDERAL STOCK CONVERSIONS

On October 29, 1981, by Resolution No. 81-651 (46 FR 54722, November 4, 1981), the Board amended the Rules and Regulations for the Federal Savings and Loan System to provide in Section 552.2-1 (12 CFR §552-2.1) for the delegation of authority to the Principal Supervisory Agent of the appropriate Federal Home Loan Bank to approve applications for conversion of state-chartered stock savings and loan institutions to federally-chartered stock savings and loan institutions.

Based on its experience with conversion applications processed pursuant to Section 552-2.1, the Board has found that applications for conversion of state-chartered stock savings and loan institutions to federally-chartered stock savings and loan institutions for supervisory reasons may present significant legal issues or policy considerations requiring review by the Board's staff in Washington, D.C. Accordingly, the Board has determined to amend its delegation of authority to the Principal Supervisory Agent to approve state stock to federal stock conversion applications to delegate to the General Counsel the authority to approve conversion applications undertaken for supervisory reasons. The amendment does not affect the delegation of authority to the Principal Supervisory Agent to approve conversion applications not undertaken for supervisory reasons.

On March 26, 1980, by Resolution No. 80-202, the Board delegated to the Principal Supervisory Agent the authority to approve unopposed applications for conversion of state-chartered institutions the accounts of which are insured by the Federal Savings and Loan Insurance Corporation to federally-chartered institutions conditioned upon the applicant's satisfaction of the criteria established in Section 543.9 and submission of evidence from the appropriate state authorities within six months from the date of the approval of the conversion application that the conversion is in conformance with state law. The first of these conditions is contained in Section 552-2.1. The Board has determined to amend Section 552-2.1 to include the second of these conditions in order to ensure that the conversion of state-chartered stock savings and loan institutions to federally-chartered stock savings and loan institutions complies with the applicable laws of the applicants' jurisdictions. However, in order to expedite the conversion process, the Board is requiring that the certification that the conversion is in conformance with state law be made by independent local counsel rather than by the appropriate state authorities.

#### H. MISCELLANEOUS, TECHNICAL AND CONFORMING AMENDMENTS

1. An amendment is made to Part 523 by adding a new

§523.3-2 authorizing the Principal Supervisory Agent to approve all unprotected FHLBank membership applications.

2. An amendment is made to 2 CFR 523.10(b)(1) to indicate that FDIC-insured banks may include stock-form as well as mutual-form savings banks.

3. An amendment is made to 12 CFR 541.8 to include all savings banks chartered under section 5 of the Home Owner's Loan Act as federal associations. Previously, the section only referenced federal savings and loan associations so chartered.

4. An amendment is made to 12 CFR 541.8-1 to delete the words "A savings and loan," thus allowing the Board to charter interim federal associations that are federal savings banks.

5. In order to clarify to whom questions should be directed regarding conversions to federal mutual charters, and the status of supervisory agent recommendations on same, 12 CFR 543.8 is amended to incorporate the substance of former 12 CFR 576.1, regarding mutual savings bank conversions. Similar language exists at 12 CFR 543.2(a), regarding permission to organize a federal association. In addition, §543.8 is amended to indicate that approval authority for conversions to federal charter is delegated to the Principal Supervisory Agent.

6. An amendment to 12 CFR 543.9(c) stipulates that an eligibility examination by the FSLIC is not a precondition to Board consideration of a request for a federal charter by an FDIC-insured savings bank. Section 543.9(d) is amended to delete reference to a repealed statutory requirement that a state institution seeking a federal charter must receive approval of 51 percent of its members. The question of consent now will be left entirely to state law. In addition, those sections, as well as §543.9(a), are amended to reflect delegation of authority to the Principal Supervisory Agent to approve conversion applications.

7. An amendment is made to 12 CFR 576.4, governing organization after conversion to federal charter of federal mutual savings banks, by redesignating it as 12 CFR 543.12, specifying that it applies only to FMSBs that immediately prior to conversion were state MSBs, and moving it to 12 CFR Part 543. A reference in the text of §576.4 is changed to §543.12, and a reference to §576.2 is changed to §544.2-2. In a related step, 12 CFR 543.11 is amended to supply a reference to the procedures in §543.12 as constituting an exception to the normal post-conversion organization rules for federal associations.

8. An amendment is made to 12 CFR Part 543 to create a new §543.13 that states that the Board may grant federal charters to FDIC-insured savings banks notwithstanding their failure to obtain FSLIC insurance of accounts.

9. An amendment is made to 12 CFR Part 543 to create a new §543.14 which states that the Board shall notify the FDIC of applications for federal charters by FDIC-insured institutions, shall consult with it before disposing of such an application, and shall notify it of the Board's determination with respect to the application.

10. An amendment is made to 12 CFR 544.2, concerning federal charter amendments, to indicate in the introductory text and paragraph (i) that it applies only to mutual savings and loan associations, and not to federal mutual savings banks, which are governed by another provision in this respect. Section 544.2(c) is amended to delete the word "savings", in recognition of the ability of federal associations to offer demand accounts as well as savings accounts, and Section 544.2(f) is revised to replace obsolete references to Charter N and Charter K (rev.) with references to Charter N (Rev.) and Charter L.

11. An amendment is made to 12 CFR 577.1-1, setting forth a preapproved mutual capital certificate amendment

for federal mutual savings banks, to redesignate it as 12 CFR 544.2-1 and move it to 12 CFR Part 544, after removing existing §544.2-1.

12. An amendment is made to 12 CFR Part 544 to add a new §544.2-2, dealing with preapproval of federal mutual savings bank corporate title changes. The language is virtually identical to that of 12 CFR 577.1-2, repealed by these amendments, concerning the same subject.

13. An amendment is made to 12 CFR 544.5, regarding prescribed bylaws, to indicate they are applicable only to federal mutual S&Ls.

14. An amendment is made to 12 CFR 577.2, regarding bylaws for federal mutual savings banks, to redesignate it as 12 CFR 544.5-1 and insert it in Part 544 after 12 CFR 544.5, and to revise the introductory text to indicate that it applies only to federal mutual savings banks.

15. An amendment is made to 12 CFR Part 544 by adding a new §544.8, incorporating the substance of 12 CFR 578.1(b), removed by these amendments. Paragraph (a) essentially restates the provision in §578.1(b) that references in the regulations to federal mutual savings and loan charters shall also be deemed references to federal mutual savings bank charters, also stipulating that references to superseded mutual association charter forms shall be references to the new forms created by these amendments. Paragraph (b) duplicates the requirement in §578.1(a) that federal mutual savings bank trustees are subject to regulations applicable to federal savings and loan association directors.

16. An amendment is made to Part 544 by adding a new §544.9, stipulating that Charter B federal mutual savings banks no longer must comply with an obsolete charter provision restricting their corporate debt, equity, and consumer loan investments.

17. An amendment is made to remove 12 CFR 546.5, concerning conversions to the state mutual form under a now repealed provision of §5(i) of the Home Owner's Loan Act of 1933.

18. Amendments are made to 12 CFR 547.3, 547.6, 549.1(b), 549.2 and 549.3, relating to receiverships, to provide for the statutory requirement that the Board appoint the FDIC as receiver for FDIC-insured federal associations. In addition, the amendment to §547.6 deletes a confusing reference to liquidation as the sole purpose of a receivership.

19. An amendment is made to 12 CFR 549.5-1(a) to stipulate that federal savings bank receivers shall follow procedures for deposit associations. Amendments are made to §549.5-1(b) and (c) to provide for the fact that federal associations now may offer demand accounts, and not just savings accounts.

20. An amendment is made to the introductory text an paragraph (b) of 12 CFR 552.1 to state that references to Charter S associations also shall be deemed to be references to Charter T associations, and to define a Charter T association, in effect, as a federal stock savings bank. Old paragraph (b) is redesignated as paragraph (c).

21. An amendment is made to 12 CFR 552.2-1, dealing with conversions of state-stock associations to federal stock charters, to delete obsolete requirements pertaining to the date on which a state institution became a stock association, and to provide for conversion of state stock savings banks.

22. An amendment is made to 12 CFR 552.3(a) by adding a clarifying reference to Charter T associations.

23. An amendment is made to 12 CFR 552.9 to substitute references to Charter N (Rev.) for obsolete references to Charter N.

24. An amendment is made to 12 CFR 561.1 to add references to federal savings banks, interim federal associ-

ations, and interim state associations as institutions that may be insured by the FSLIC, and to stipulate that, except as specifically noted, FDIC-insured federal associations will be subject to regulations applicable to "insured institutions," as are other federal associations.

25. An amendment is made to 12 CFR 561.2, defining insured members, to stipulate that, for the purposes of the provisions, an "insured institution" shall not include an FDIC-insured federal association.

26. An amendment is made to 12 CFR 561.11 to include savings accounts held at FDIC-insured federal associations within the definition of "savings accounts".

27. An amendment is made to 12 CFR 563.7-1 to remove the term "savings and loan," thus clarifying that the provision, which deals with savings deposits or shares of federal associations, applies to federal savings banks.

28. An amendment is made to 12 CFR 563.7-4(a) to change the phrase "insured mutual institution" to clarify that it refers to all insured institutions, including FDIC-insured federal associations, that are in the mutual form.

29. Amendments are made to 12 CFR 563.14 regarding payment of dividends, to ensure its applicability to dividends paid to accountholders by FDIC-insured savings banks.

30. Amendments are made to 12 CFR 563.15, and 563.16 regarding insurance premiums, to specify that the provisions do not apply to FDIC-insured federal associations.

31. An amendment is made to 12 CFR 563.22, regarding mergers of insured institutions involving increases in accounts of an insurable type, to stipulate that an FDIC-insured federal association is not an insured institution for purposes of that provision.

32. An amendment is made to 12 CFR 563.28 to indicate that an FDIC-insured federal association is prohibited from advertising itself as a member of the FSLIC.

33. An amendment is made to 12 CFR 563.31 by revising paragraph (a) to state that an FDIC-insured federal association may not obtain deposit insurance in addition to that provided by the FDIC, paralleling the requirement that FSLIC-insured institutions obtain insurance on accounts only from the FSLIC. In addition paragraph (b)(1) is amended to provide that federal savings banks may give bond or security, and not just federal savings and loan associations.

34. Amendments are made to 12 CFR 563.3b(b)(4), 563b.4(a)(xiv), and 563b.4(b) to clarify that federal stock charters are available to federal associations insured by the FDIC.

35. Amendments are made to 12 CFR 563b.8(d)(2) and (3) to indicate that any eligible mutual, state or federal, may convert to either a Charter S or a Charter T, and that the corporate existence of the converting institution does not terminate.

36. Amendments are made to 12 CFR Parts 564 and 565, dealing respectively, with settlement of insurance and termination of insurance, to create new §§564.11 and 565.9, specifying that those Parts do not apply to FDIC-insured federal associations.

37. Amendments are made to 12 CFR Part 569a, dealing with receivers of non-federally chartered insured institutions, by changing the heading to reflect the existence of federal associations other than federal savings and loan associations, and by revising §569a-1(a) to insure the non-applicability of that section to federal savings banks.

38. Subchapter E, dealing with rules and regulations for federal mutual savings banks, and consisting of 12 CFR Parts 575, 576, 577 and 578, is removed as obsolete, after relocation of appropriate provisions elsewhere.

39. An amendment is made to 12 CFR 583.5 to indicate that an insured institution subsidiary of a savings and loan

holding company may be doing a savings bank business as well as a savings and loan business.

40. An amendment is made to 12 CFR 583.6 to include as insured institutions all federal associations insured by the FSLIC or the FDIC.

41. An amendment is made to 12 CFR 583.7 to specify that an uninsured institution does not include a federal association insured by the FDIC.

42. An amendment is made to 12 CFR 584.1(e) to indicate that an insured institution may be doing a savings bank business as well as a savings and loan business.

#### CONSOLIDATION OF APPLICATIONS

The Board has determined to amend 12 CFR Part 543 to consolidate applications provided for all *de novo* federal mutual associations. The amendments involve combining the Permission to Organize application and the Petition for Charter application. Formerly, associations had to go through a two-step procedure in order to receive a federal charter. The first step was an application for permission to organize a federal association, which required numerous procedures and conditions. Upon compliance with these conditions, the applicants then had to submit a second application for petition for charter. This application also required numerous procedures and conditions. In combining the two applications, the Board will expedite the application process, delete several unnecessary or duplicative conditions, and cause the application process to apply to all types of new federal charters.

#### FINAL REGULATORY FLEXIBILITY ANALYSIS

Although the regulations promulgated herein have not been proposed for public notice and comment, the Board is providing the following regulatory flexibility analysis:

1. *Reasons, objective and legal basis underlying the final rule.* These elements are incorporated above in the "supplementary information and definitional sections regarding the regulation.

2. *Small entities to which the final rule would apply.* The final rule would apply equally to all institutions chartered by the Board.

3. *Overlapping or conflicting federal rules.* There are no known Federal rules that may duplicate, overlap or conflict with the final regulation.

4. *Alternatives to the final rule.* To the extent that any institution determines to adopt a new charter, the final regulation would benefit its operations. Increased flexibility for all institutions will result from this regulation as well as increased power for federal associations. The final regulation will not have a disproportionate impact on small institutions, and there is no alternative action that would change the impact of broadened chartering authority on small institutions.

#### List of Index Subjects

12 CFR Parts 541, 543, 544, 545, 546, 547, 549, 552, 575, 561, 563, 563b, 564, 565, 569a, 576, 577, 578, 583 and 584  
Savings and loan associations

The Board finds that the public notice and comment procedures of 5 U.S.C. 503(b) and 12 CFR 508.13 are unnecessary for the following reasons: (1) Immediate regulatory action is in the public interest in that the Congress expressly intended, in passing the Garn-St Germain Depository Institutions Act of 1982, that Federal associations and other thrift institutions exercise increased organizational flexibility to meet current, extremely stressful economic conditions, and it will increase the availability of this new power to federal associations; (2) Most federal associations have annual meetings in the first month of the calendar year, notice of which



must go out to shareholders 15 to 45 days in advance, and any change in charter would of necessity need to be considered at such a meeting; (3) It will expedite the processing of applications for the several Federal charters; and (4) It will relieve restrictions. The Board further finds that delay of the effective date of this regulatory action pursuant to 5 U.S.C. 553(d) and 12 CFR 508.14 is unnecessary for the same reasons.

Since there are a large and complex number of changes in these regulations, in particular in easing bylaw requirements, the Board is soliciting comments from the public as to the effect of these regulations.

Accordingly, the Board hereby amends Part 523 of Subchapter B, Parts 541, 543, 544, 545, 546, 547, 549 and 552 of Subchapter C, Parts 561, 563, 563b, 564, 565, and 569a of Subchapter D, Parts 575, 576, 577 and 578 of Subchapter E, and Parts 583 and 584 of Subchapter F, Chapter V of Title 12, *Code of Federal Regulations*, to read as set forth below.

## SUBCHAPTER B — FEDERAL HOME LOAN BANK SYSTEM

### PART 523 — MEMBERS OF BANKS

1. Part 523 is amended by adding a new §523.3-2, to read as follows:

§523.3-2 *Delegations*. The Principal Supervisory Agent, as that term is defined in §545.14(a)(3)(i) of this Chapter, is authorized to approve unopposed applications for Bank membership filed by an entity which is eligible for such membership and which satisfies the criteria therefor.

2. Amend subparagraph (1) of paragraph (b) of §523.10 by striking the term "mutual".

### SUBCHAPTER C — FEDERAL SAVINGS AND LOAN SYSTEM

#### SUBCHAPTER E — RULES AND REGULATIONS FOR FEDERAL MUTUAL SAVINGS BANKS

### PART 541 — DEFINITIONS

3. Amend §541.8 to read as follows:

§541.8 *Federal association*.

A savings and loan association or savings bank chartered by the Board under section 5 of the Act and, except as the Board may otherwise provide, any building and loan, savings and loan, building, of homestead association, organized or incorporated under the laws of the District of Columbia.

4. Amend § 541.8-1 by removing the phrase "A savings and loan" and inserting in lieu thereof the word "An".

### PART 543 - INCORPORATION, ORGANIZATION, AND CONVERSION

### PART 576 - APPLICATION, ISSUANCE OF CHARTER AND BYLAWS, ORGANIZATION

5. Amend § 543.1 by revising the third sentence of paragraph (b), to read as follows:

§543.1 *Corporate title*.

\* \* \*

(b) *Title change*. Prior to changing its corporate title, an association must file with the Supervisory Agent a written notice indicating the intended change. The Supervisory Agent shall provide to the association a timely written acknowledgment stating when the notice was received. If, within 30 days of receipt of notice, the Supervisory Agent does not notify the association of his or her objection on the grounds set forth in paragraph (a) of this section, the association may change its title by amending its charter in accordance with § 544.2(i), or § 544.2-2, or § 552.4(c) and the amendment provisions of its charter, except that an association chartered as a Federal Savings and Loan Association may change its title to indicate that it is a Federal Savings Bank, and an association chartered as a Federal Savings Bank may change its title to indicate that it is a Federal Savings and Loan Association, only pursuant to adoption of a new charter pursuant to § 544.3 of this Chapter.

6. Amend § 543.2 by revising the third sentence of paragraph (b) and revising paragraph (g), to read as follows:

§ 543.2 Application for permission to organize.

\* \* \*

§ 543.2(b) *Form; supporting information*. \* \* \* The applicants shall request a corporate title to be approved by the Board and to be included as section one of the association's charter.

\* \* \*

§ 543.2(g) *Approval*. Decisions on all applications for permission to organize a Federal association will be made by the Board. Approvals of applications will be conditioned on the following: (1) a minimum amount of capital to be paid into the association's accounts prior to insurance of accounts; (2) the submission of a statement that (i) the applicants have complied in all respects with the Act and these rules and regulations regarding organization of a Federal association; (ii) the applicants have incurred no expense in forming the association which is chargeable to it, and no such expense will be insured; (iii) no money will be collected on account of the association before the Board issues its charter; (iv) an organization committee has been created (naming the committee and its officers); and (v) the committee will organize the association when the Board issues its charter and serve as temporary officers of the association until officers are elected by the association's board of directors under § 543.6; and (3) the satisfaction of any other requirement the Board may impose. Approval of an application does not obligate the Board to issue a charter.

\* \* \*

7. Remove § 543.3, with a direction to see § 543.6(a).

8. Remove § 543.4, with a direction to see § 543.2.

9. Amend § 543.6 by revising paragraph (a), to read as follows:

§ 543.6 *Completion of organization*.

(a)(1) *Temporary officers*. When the Board approves an application for permission to organize a Federal association, the applicants shall constitute the organization committee and elect a chairperson, vice-chairperson, and a secretary, who shall act as the temporary officers of the association until their successors are duly elected and qualified. The temporary officers may effect compliance with any conditions prescribed by the Board.

(2) *Organization meeting*. Promptly upon receipt of a charter, the temporary officers shall call a meeting of the association's capital subscribers; notice of such meeting shall be mailed to each subscriber at least 5 days before the meeting day. Subscribers who have subscribed for a majority of the association's capital, present in person or by proxy, shall constitute a quorum. At such meeting, directors of the association shall be elected according to the association's charter and bylaws, and any other action permitted by such charter and bylaws may be taken; any such action shall be considered an acceptance by the association of such charter and of such bylaws, which shall be in the form provided in Parts 544 and 552 of this subchapter.

10. Amend §543.8 to read as follows:

§543.8 *General*.

(a) With the approval of the Principal Supervisory Agent,

any member may, on such conditions as the Board may prescribe, convert itself into a Federal association, if it complies with all laws of its jurisdiction expressly providing for such conversions and with these rules and regulations.

(b) Questions regarding conversions shall be directed to the Board's Supervisory Agent of the district in which the applicant is located. Recommendations by Supervisory Agents and officers and employees of the Board regarding applications for issuance of Federal charters are privileged, confidential and subject to §505.6 of this chapter.

11. Amend §543.9 by revising the last sentence of paragraph (a), by revising paragraph (c), and by deleting paragraph (d), to read as follows:

§543.9 Applications.

\* \* \*

(a) \* \* \* The applicant shall submit any financial statements or other information the Board or the Principal Supervisory Agent may require, and pay all costs, as determined by the Principal Supervisory Agent or the Board, of consideration of the application.

\* \* \*

(c) Action on application. The Principal Supervisory Agent will consider such application and any information submitted therewith, and may approve the application. All approvals will be conditioned upon compliance with paragraph (d) of this section. The Principal Supervisory Agent will not consider the application of a converting institution not insured by the Federal Savings and Loan Insurance Corporation, except in the case of a savings bank insured by the Federal Deposit Insurance Corporation, until an eligibility examination has been completed to the satisfaction of the Federal Savings and Loan Insurance Corporation. Approval of an application and issuance by the Board of a charter will be subject to the applicant's (1) compliance with all conditions prescribed in the approval; (2) receipt of approval of the plan of conversion by such vote as may be required by the laws of the applicant's jurisdiction to consider such action; and (3) approval of its application for Federal Home Loan Bank membership, if the applicant is not a member.

12. Remove §543.10.

13. Amend §543.11 redesignating it as §543.10 and by revising the first sentence, to read as follows:

§543.10 Organization after conversion.

Except as provided in §543.11, after a Federal charter is issued under §543.9, the association's members shall, after due notice, or upon a valid adjournment of a previous legal meeting, hold a meeting to elect directors and take all other action necessary fully to effect the conversion and operate the association in accordance with law and these rules and regulations. \* \* \*

14. Amend §576.4 by redesignating it as §543.11, by removing the term "§576.4" wherever it appears therein and substituting therefor the term "§543.11", by removing §543.11 from Part 576 and inserting it in Part 543 immediately after §543.10, and by revising the first sentence of paragraph (a) of §543.11 to read as follows:

§543.11 Organization, plan for governance during first years after issuance of Federal mutual savings bank charter.

(a) Organization meeting. Except as provided in paragraph (c)(1), promptly upon receipt of a charter, the officers of a Federal mutual savings bank which, immediately prior to conversion, was a state-chartered mutual savings bank, shall call a meeting of the members. \* \* \*

\* \* \*

15. Amend §543.11 by striking the term "§576.2" in the fourth sentence of paragraph (a) and substituting therefor the term "§544.2-2".

16. Amend Part 543 to add a new §543.12, to read as follows:

§543.12 FDIC-insured Federal savings banks.

The Board may issue a Federal charter to a state-chartered savings bank which is insured or continues to be insured by the Federal Deposit Insurance Corporation notwithstanding the fact that the association does not obtain insurance of accounts from the Federal Savings and Loan Insurance Corporation.

17. Amend Part 543 to add a new §543.13, to read as follows:

§543.13 Notice to FDIC.

Upon receiving an application for a Federal charter by an institution insured by the Federal Deposit Insurance Corporation, the Board shall notify the Federal Deposit Insurance Corporation, shall consult with it before disposing of the application, and shall notify it of the Board's determination with respect to such application.

PART 544 — OPERATIONS

PART 577 — CHARTER AND BYLAWS

18. Amend §544.1 by revising the first sentence of paragraph (a) to read as follows:

§544.1 Issuance of charter.

(a) Charter N (Rev.). Except as provided in paragraph (b) of this section, when the Board approves an Application for Permission to Organize for a Federal mutual association that is a Federal savings and loan association, it shall issue a charter in the following form, or a form which includes any of the additional provisions set forth in §544.2 if such provisions are specifically requested, known as Charter N (Rev.). \* \* \*

\* \* \*

19. Amend §544.1 by removing the term "CHARTER N" as the heading at the beginning of the charter form, and replacing it with the term "CHARTER N (REV.)".

20. Amend the form for CHARTER N (REV.) contained in paragraph (a) of §544.1 by revising the introductory text and subsection (6) of section 3, the first sentence of section 4, and the last sentence of section 10, to read as follows:

§544.1 Issuance of charter.

(a) Charter N (Rev.). \* \* \*

CHARTER N (REV.)

\* \* \*

3. Purpose and Powers. The purpose of the association is to pursue any or all of all the lawful objectives of a Federal association; and in the accomplishment of such purpose, it shall have perpetual succession and power: \* \* \*

(6) To raise its capital, which shall be unlimited, by accepting payments on savings and demand accounts representing share interests in the association; \* \* \*

4. Members. All holders of the association's savings accounts and demand accounts and all borrowers therefrom are members. \* \* \*

\* \* \*

10. Reserves, surplus and distribution of earnings.

\* \* \* All holders of savings accounts and demand accounts of the association shall be entitled to equal distribution of assets, pro rata to the value of their accounts, in the event of voluntary or involuntary liquidation, dissolution or winding up of the association.

\* \* \*

21. Amend the form for CHARTER N (REV.) contained in paragraph (a) of §544.1 by striking the term "savings" wherever it appears in section 4, other than in the first sentence, and wherever it appears in section 7.

22. Amend §544.1 by revising the introductory text of paragraph (b), to read as follows:

(b) *Charter L.* If expressly requested in the Application for Permission to Organize, or in the Application for Conversion to a Federal Association, the Board will issue, in lieu of Charter N (Rev.), a Charter L. The form of Charter L is the same as the form of Charter N (Rev.), except that the heading states "CHARTER L" instead of "CHARTER N (REV.);" and in lieu of the provision in Charter N (Rev.) designated "6. Withdrawals", the following provision is substituted: \* \* \*

23. Amend §577.1 by redesignating it as "§544.1(c)", and by removing new §544.1(c) from Part 577 and inserting it in Part 544 immediately after paragraph (b) of §544.1.

24. Amend paragraph (c) of §544.1 by removing the term "CHARTER B" as the heading at the beginning of the charter form, and replacing it with the term "CHARTER B (REV.);" .

25. Amend the form for CHARTER B (REV.) contained in paragraph (c) of §544.1 by removing the phrases "established for the primary purpose of providing people with a convenient and safe place to invest their funds and to provide for the financing of homes, and", and "General Objects and" contained in section 3; by removing the word "savings" from section 6 wherever it appears, other than in the first sentence; by removing the phrase "in Board Resolution No. \_\_\_\_\_, dated \_\_\_\_\_," in section 7 and substituting therefor the phrase "by the Board or its delegatee in in connection with action"; by removing the phrase "charter: *Provided, however,* That the bank's equity, corporate bond, and consumer loan investments may in no event exceed \_\_\_\_\_ percent of its assets." contained in section 10 and substituting therefor the phrase "charter"; by striking out in section 10 the phrase "Board Resolution No. \_\_\_\_\_ dated \_\_\_\_\_" and substituting therefor the phrase "action of the Board or its delegatee in connection with action"; by removing from the third paragraph of section 11, the word "savings" and the phrase "[and checking accounts]" wherever they appear; and by removing from section 11 the phrase "Board, such reserves shall include the reserve required for insurance of accounts.", and inserting in its place the word "Board".

26. Amend the form of CHARTER B (REV.) contained in paragraph (c) of §544.1 by revising section 5 and the first sentence of section 6, to read as follows:

§544.1 *Prescribed form.* \* \* \*

**CHARTER B (REV.)**

\* \* \*

Section 5. *Capital.* The bank may raise capital by accepting payments on savings accounts and demand accounts and by any other means as may be authorized by the Board.

Section 6. *Members.* All holders of the bank's savings accounts and demand accounts and all borrowers therefrom are members. \* \* \*

\* \* \*

27. Amend §544.2 by revising the introductory text to read as follows:

§544.2 *Amendment of charter.*

This section constitutes approval by the Board of any of the following amendments to the charter of a Federal mutual savings and loan association:

\* \* \*

28. Amend §544.2 by removing from paragraph (c) the word "savings"; by removing from paragraph (f) the phrase "Charter N or Charter K (rev.);" and substituting therefor the words "Charter N (Rev.) or Charter L"; and by removing from paragraph (i) the word "mutual" and substituting therefor the phrase "mutual savings and loan".

29. Remove §544.2-1.

30. Amend §577.1-1 by redesignating it as "§544.2-1", and remove new §544.2-1 from Part 577 and insert it in Part 544 immediately after §544.2.

31. Amend Part 544 by adding a new §544.2-2 to read as follows:

§544.2-2 *Preapproved charter amendment.*

This section constitutes approval by the Board of the amendment of section 1 of the Federal mutual savings bank charter to effect the change of the corporate title of a Federal mutual savings bank that has complied with §543.1(b) of this Chapter.

32. Amend §544.3 to read as follows:

§544.3 *Adoption to new Federal charter by a Federal association*

If the board of directors of a Federal mutual association proposes to adopt a charter in the form of any other Federal mutual association charter, the charter may be approved by a majority vote of members present at any duly called regular or special meeting of members. In the case of a Federal stock association the board of directors of which proposes to adopt a charter to read in the form of any other Federal stock association charter, the charter may be approved by the stockholders by a majority of the total votes eligible to be cast at a legal meeting. In either case, after such vote, the association shall submit the following petition to the Principal Supervisory Agent, together with any requested change in the association's title or location of home office, and the Board thereafter will issue the new charter sought, upon approval by the Principal Supervisory Agent or the Board of a change in such name or location:

Federal Home Loan Bank of \_\_\_\_\_, [City] \_\_\_\_\_, [State] \_\_\_\_\_

The undersigned, under §544.3 of the rules and regulations for the Federal Savings and Loan System, petitions the Federal Home Loan Bank Board to issue to it a charter in the form of Charter \_\_\_\_\_, fixing the name of the undersigned as \_\_\_\_\_, and its home office at \_\_\_\_\_. The present charter fixes the name of the association as \_\_\_\_\_ and its home office location as \_\_\_\_\_.

The undersigned, by its secretary, hereby certifies that the members or stockholders, at a meeting duly called and held, adopted the following resolution:

*Be it resolved,* That the present charter of this association be amended to read in the form of Charter \_\_\_\_\_ as prescribed in the rules and regulations for the Federal Savings and Loan System, prescribing the name of the association as \_\_\_\_\_ and fixing its home office location as \_\_\_\_\_.

In witness whereof, the Secretary of the undersigned has hereunto affixed his hand and the seal of the undersigned this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_\_.

[Name of Federal Association]

By \_\_\_\_\_

[Corporate Seal]

33. Amend § 544.5, by revising the introductory text, to read as follows:

§ 544.5 *Prescribed form.*

A Federal mutual savings and loan association shall operate under the following bylaws, until such bylaws are amended under the procedure therein prescribed.

\* \* \*

34. Amend § 577.2 by redesignating it as “§ 544.5-1”, by removing the term “§577.2” wherever it appears therein and substituting therefor the term “§ 544.5-1”, and by inserting new § 544.5-1 in Part 544 immediately after § 544.5.

35. Amend § 544.5-1 by revising the introductory text, to read as follows:

§ 544.5-1 *Prescribed form.*

Unless otherwise authorized by the Board, a Federal mutual savings bank shall operate under the following by-laws until such bylaws are amended under the procedure therein prescribed.

\* \* \*

36. Amend Part 544 by adding a new § 544.8, to read as follows:

§ 544.8 *General.*

(a) References in the Rules and Regulations for the Federal Savings and Loan System to associations with a Charter K (rev.) or Charter N shall be deemed as also referring respectively to associations with the Charter L or Charter N (Rev.), and, other than § 545.4, as also referring to associations with a Charter B or Charter B (Rev.).

(b) The trustees of each Federal mutual savings bank shall be subject to the Rules and Regulations for the Federal Savings and Loan System (Part 541 *et seq.* of this Chapter), the Regulations for the Federal Home Loan Bank System (Part 521 *et seq.* of this Chapter), and the Rules and Regulations for Insurance of Accounts (Part 561 *et seq.* of this Chapter), insofar as they pertain to directors of Federal associations, just as if they were directors.

37. Amend Part 544 by adding a new § 544.9, to read as follows:

§ 544.9 *Obsolete charter provision for Charter B associations*

The standard proviso in section 10 of Charter B relating to limiting equity, corporate bond and consumer loan investments to a particular percentage of assets is of no force and effect.

38. Amend § 545.25-1 by revising paragraph (a) to read as follows:

§ 545.25-1 *Employment contracts.*

(a) *General.* A Federal savings and loan association with bylaws amended under § 544.6(k), a Federal mutual savings bank or a Charter S or Charter T association, upon specific approval of its board of directors, may enter into employment contracts with its officers and other employees in accordance with § 563.39 of this Chapter.

\* \* \*

**PART 546 — MERGER, DISSOLUTION, REORGANIZATION, AND CONVERSION**

39. Amend § 546.1 by revising paragraph (a) to read as follows:

§ 546.1 *Definitions.* As used in §§ 546.2 and 546.3 —

(a) “Association” means a Federal association, or interim Federal association, a national bank, and any building and loan, savings and loan, or homestead association, or cooperative bank, or interim state institution, or commercial or industrial bank organized under the laws of any state which may, under those laws, or other applicable law, merge or consolidate with a Federal association.

\* \* \*

40. Amend § 546.2 by revising paragraph (a) and subparagraph (6) of paragraph (h), to read as follows:

§ 546.2 *Procedure; effective date.*

(a)(1) A Federal association insured by the Federal Savings and Loan Insurance Corporation and one or more other

associations so insured may merge as prescribed in this Part if, as to any association which is not a Federal association, the merger is in accordance with the laws of the jurisdiction in which the association was organized.

(2) A Federal association insured by the Federal Deposit Insurance Corporation and any one or more other institutions so insured may merge as prescribed in this Part if, as to any such institution which is not a Federal association, the merger is in accordance with the laws of the jurisdiction in which the association was organized, if applicable, and such other laws as may be applicable.

(3) A Federal association insured by the Federal Deposit Insurance Corporation and any one or more other associations insured by the Federal Savings and Loan Insurance Corporation may merge as prescribed in this Part, subject to the prior approval of the Federal Deposit Insurance Corporation, and if, as to any association which is not a Federal association, the merger is in accordance with the laws of the jurisdiction in which the association was organized.

\* \* \*

(h) \* \* \*

\* \* \*

(5) The association (other than an association that is neither insured by the Federal Savings and Loan Insurance Corporation nor chartered by the Board) which will be the resulting association in the merger has a composite Community Reinvestment Act rating of less than satisfactory, or is otherwise seriously deficient with respect to the Board’s nondiscrimination regulations and the deficiencies have not been resolved to the satisfaction of the Principal Supervisory Agent;

\* \* \*

41. Amend §546.2 by removing in paragraph (g) the word “created” and inserting in its place the phrase “created, if applicable, or any other applicable law”; and by inserting in subparagraph (6) of paragraph (h), immediately after the phrase “resulting association’s”, the first time it appears, the phrase “(other than an association that is neither insured by the Federal Savings and Loan Insurance Corporation nor chartered by the Board)”.

42. Remove §546.5, to read as follows:

§546.5 *Conversion from Federal mutual to state-charter mutual.* [Removed eff. \_\_\_\_\_, 19\_\_\_\_.]

**PART 547 — APPOINTMENT OF CONSERVATORS AND RECEIVERS**

43. Amend §547.3 by adding a second sentence, to read as follows:

§547.3 *Appointment on other grounds.*

\* \* \* In the event a Federal association insured by the Federal Deposit Insurance Corporation has its insured status terminated by the Board of Directors of said Corporation, the Board shall appoint the Federal Deposit Insurance Corporation receiver for that association.

44. Amend §547.6, to read as follows:

§547.6 *Federal Savings and Loan Insurance Corporation or Federal Deposit Insurance Corporation as receiver*

The Board shall appoint only the Federal Savings and Loan Insurance Corporation as receiver for a Federal association which that Corporation insures. The Board shall appoint only the Federal Deposit Insurance Corporation as receiver for a Federal association which that Corporation insures.

**PART 549 — POWERS OF RECEIVER AND CONDUCT OF RECEIVERSHIP**

45. Amend §549.1 by revising paragraph (b), to read as follows:

§549.1 *Definitions.* \* \* \*

\* \* \*

(b) "Corporation" means the Federal Savings and Loan Insurance Corporation, except when the Federal Deposit Insurance Corporation is receiver, in which case it means the Federal Deposit Insurance Corporation.

46. Amend §549.2 to read as follows:

§549.2 *Procedure upon taking possession.*

The procedure prescribed in §548.1 of this subchapter for a conservator taking possession of a Federal association shall also apply to a receiver except that the notice required by §548.1(c) shall state:

\_\_\_\_\_ Federal Savings and Loan Association [or Federal Savings Bank] \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, is in the hands of the Federal Savings and Loan Insurance Corporation [or Federal Deposit Insurance Corporation] as receiver appointed by the Federal Home Loan Bank Board.

Federal Savings and Loan Insurance Corporation [or Federal Deposit Insurance Corporation] as Receiver.

By \_\_\_\_\_  
Title \_\_\_\_\_  
Date \_\_\_\_\_

47. Amend subparagraph (3) of paragraph (b) of §549.3, to read as follows:

§549.3 *Powers and duties of receiver.*

\* \* \*

(b) \* \* \*

\* \* \*

(3) Deposit funds collected in any bank(s) insured by the Federal Deposit Insurance Corporation, in a Bank, or any other depository institutions approved for that purpose by the Board. All depository bank accounts of the receiver shall be carried as follows: "Federal Savings and Loan Insurance Corporation [or Federal Deposit Insurance Corporation], Receiver for \_\_\_\_\_ Association";

\* \* \*

48. Amend paragraph (a) of §549.5-1 by adding the phrase "or a Federal savings bank" immediately after the word "association" the second time it appears, and amend subparagraph (1) of paragraph (b) of §549.5-1 by adding in the first sentence the phrase "demand accounts," immediately prior to the word "savings" the first time it appears; by adding in the fourth sentence the phrase "demand account," immediately prior to the word "savings" the first time that word appears; and by adding in the fifth sentence the phrase "demand account, holder of a" immediately prior to the word "savings" the first time that word appears.

49. Amend paragraph (c) of §549.5-1 by adding in subparagraph (1) the phrase "demand accounts," immediately prior to the phrase "savings accounts" wherever the latter phrase appears; by adding in subparagraph (2) the phrase "demand accounts," immediately prior to the phrase "savings deposits"; by adding in subparagraph (3) the phrase "demand account," immediately prior to the phrase "savings deposit"; and by adding in subparagraph (4) the phrase "demand accounts," immediately prior to the term "savings deposits."

**PART 552 — STOCK ASSOCIATIONS**

50. Amend §552.1, by revising the introductory text, redesignating paragraph (b) as paragraph (c), and adding a new paragraph (b), to read as follows:

§552.1 *Definitions.*

All references in this subchapter to the following terms shall, with respect to an association with a charter in the form of Charter S or Charter T, have the meaning defined herein.

\* \* \*

(b) *Charter T association.* The term "Charter T association" means a Federal savings bank which has its charter in the form of a Charter T. References hereafter in this Chapter to Charter S associations or Charter S shall be deemed also as referring respectively to Charter T associations or Charter T.

\* \* \*

51. Amend §552.2-1 by deleting the last sentence and by revising the first sentence to read as follows:

§552.2-1 *Conversion from state stock to Federal stock charter.*

With the approval of the Principal Supervisory Agent, or, in connection with a supervisory transaction, with the approval of the General Counsel, any state stock savings and loan or state stock savings bank type institution may convert to a Federal stock savings and loan association or a Federal stock savings bank, subject to its compliance with the requirements set forth in §§543.8 through 543.11 of this Subchapter governing conversion to a Federal mutual association and its submission of an opinion by independent local counsel within six months from the date of the approval that the conversion is in conformance with applicable state law.

\* \* \*

52. Amend paragraph (a) of §552.3 by adding the phrase "or Charter T" immediately after the phrase "Charter S".

53. Amend §552.3 by revising paragraph (b) and adding a new paragraph (c) to read as follows:

§552.3 *Issuance of charter.*

\* \* \*

(b) A Charter S or Charter T in the following form shall be issued to a state stock institution which has converted respectively to a Federal stock savings and loan association or a Federal stock savings bank pursuant to §552.2-1, except that in a case not involving an association that has converted from mutual to stock form, Section 7 of Charter S or Charter T requiring a liquidation account and all references thereto shall be deleted, Sections 8 and 9 shall be redesignated Sections 7 and 8 respectively, and the optional provision contained in §552.4(b) of this Part shall not be available.

(c) Where a Charter T is issued, all references in the following form to "Charter S" shall be changed to "Charter T", all references to "Federal Savings and Loan Association" shall be changed to "Federal Savings Bank" and all references to "association" shall be changed to "bank," and the following sentence shall be added to the end of Section 3: "In addition, the bank may make any investment and engage in any activity as may be specifically authorized by action of the Board or its delegatee in connection with action approving the issuance of the charter."

54. Amend §552.9 to read as follows:

§552.9 *Investments, services and borrowings.*

A Charter S association may: (a) Make any loan or investment authorized by this Subchapter for a Charter N (Rev.)

association; (b) be surety and perform such services as are authorized by this Subchapter for a Charter N (Rev.) association; and (c) borrow, issue obligations, and give security to the same extent authorized by this Subchapter for a Charter N (Rev.) association which has amended its charter under §544.2(f) of this Subchapter. A Charter T association, in addition to the above, may utilize any authority permitted by this Subchapter for Charter T associations.

55. Amend §552.13 by revising subparagraph (1) of paragraph (b), by revising subparagraphs (1) and (2) of paragraph (c), and by revising paragraphs (d) and (e), to read as follows:  
 §552.13 *Combinations involving Charter S associations.*

\* \* \*

(b) *Definitions.* \* \* \*

(1) *Association.* Any building and loan, savings and loan, or homestead association, or commercial, industrial, cooperative or savings bank organized under Federal or state law, including interim Federal associations and interim state associations.

\* \* \*

(c) *Forms of combination.* \* \* \*

(1) Mergers or bulk purchases of assets in exchange for assumption of liabilities: *Provided*, That (i) all constituent associations have accounts insured by the Federal Savings and Loan Insurance Corporation, except that in combinations involving a Federal association insured by the Federal Deposit Insurance Corporation, all constituent associations have accounts insured either by the Federal Savings and Loan Insurance Corporation or the Federal Deposit Insurance Corporation, and (ii) if any constituent is a mutual association, the resulting association shall be mutually held, except in cases involving supervisory mergers, mergers approved under Part 563b of this Subchapter D or mergers in which one of the constituents is an interim Federal association or an interim state institution.

(2) Consolidations among Federal associations resulting in Federal mutual associations.

(d) *Agency approval.* Prior written approval of the Board is required for every combination. In determining whether to confer such approval, the Board shall apply the criteria set out in §571.5 of this Chapter. Prior written approval of the Federal Deposit Insurance Corporation is required for every combination involving a Federal association insured by the Federal Deposit Insurance Corporation and an association not insured by such Corporation.

(e) *Approval of board of directors.* Before filing for Board approval, the combination shall be approved by each constituent association's board of directors: (1) by a two-thirds vote of the entire board of each Federal association, and (2) as required by state law, or other applicable law, for other constituents.

\* \* \*

56. Amend paragraph (1) of §552.13 by removing the period at the end of the third sentence and inserting the following in its place: “, or other applicable law.”

**SUBCHAPTER D — FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION**

**Part 561 — DEFINITIONS**

57. Amend §561.1 to read as follows:

§561.1 *Insured institution.*

An “insured institution” is a Federal savings and loan association or Federal savings bank, an interim Federal

association, a building and loan, savings and loan, or homestead association, or a cooperative bank, or an interim state institution, whose accounts are insured by the Federal Savings and Loan Insurance Corporation, referred to in this Subchapter as the “Corporation”. The Federal Home Loan Bank Board is referred to in this Subchapter as the “Board”. Except where otherwise noted, the term “insured institution” shall also be deemed to refer to a Federal association the deposits of which are insured by the Federal Deposit Insurance Corporation.

58. Amend §561.2 by revising the first sentence to read as follows:

§561.2 *Insured member.*

The term “insured member” means the holders of an account or accounts in an insured institution, other than a Federal association insured by the Federal Deposit Insurance Corporation. \* \* \*

59. Amend §561.11 by removing the period at the end thereof and adding in its place the following: “or held by insured depositors in a Federal association the deposits of which are insured by the Federal Deposit Insurance Corporation.”

**PART 563 — OPERATIONS**

60. Amend §563.7-1 by removing the phrase “savings and loan” the first time it appears.

61. Amend the first sentence of paragraph (a) of §563.7-4 by removing the phrase “mutual institution” and adding in its place the phrase “insured institution that is in the mutual form”.

62. Amend §563.14 by adding the word “insured” immediately before the word “institution” wherever the latter word appears, and by adding the phrase “or other account holders” immediately after the phrase “insured members” wherever the latter phrase occurs.

63. Amend §563.15 by adding a new paragraph (c), to read as follows:

§563.15 *Insurance premiums.*

\* \* \*

(c) *FDIC-insured Federal associations.* As used in this section, the term “insured institution” shall not refer to a Federal association the deposits of which are insured by the Federal Deposit Insurance Corporation.

64. Amend §563.16 by adding in the first sentence, immediately after the term “insured institution” the first time it appears, the phrase “(which, for the purposes of this section, shall not include a Federal association the deposits of which are insured by the Federal Deposit Insurance Corporation)”.

65. Amend §563.22 by adding in the first sentence of paragraph (a) the phrase “(which, for the purposes of this section, shall not include a Federal association the deposits of which are insured by the Federal Deposit Insurance Corporation)” immediately after the term “institution” the first time it appears.

66. Amend §563.28 to read as follows:

§563.28 *Advertising of insurance of accounts.*

An insured institution, other than a Federal association the deposits of which are insured by the Federal Deposit Insurance Corporation, may advertise itself as a “member” of the Federal Savings and Loan Insurance Corporation.

67. Amend paragraph (a) and subparagraph (1) of paragraph (b) of §563.31, to read as follows:

§563.31 *Other insurance or guaranty.* (a) *General rule.*

An insured institution may not acquire any insurance on, or guaranty of, all or any part of its insured accounts in addition to the insurance provided in Title IV of the National Housing Act, other than a Federal association the deposits of

which are insured by the Federal Deposit Insurance Corporation; and a Federal association the deposits of which are insured by the Federal Deposit Insurance Corporation shall not acquire any insurance on, or guaranty of, all or any part of its deposits insured thereby in addition to the insurance provided by the Federal Deposit Insurance Corporation.

(b) *Exceptions.* Paragraph (a) of this section notwithstanding: (1) A Federal association may give bond or security pursuant to §545.24-2 of this Chapter; and

\* \* \*

#### PART 563(b) — CONVERSIONS FROM MUTUAL TO STOCK FORM

68. Amend subparagraph (4) of paragraph (b) of §563b.3, to read as follows:

§563b.3 *General principles for conversions.*

\* \* \*

(b) *General requirements.*\* \* \*

\* \* \*

(4) The converted institution would not have its accounts insured by the Corporation, except in the case of a Federal association insured by the Federal Deposit Insurance Corporation.

\* \* \*

69. Amend clause (xiv) of subparagraph (4) of paragraph (a) of §563b.4 by inserting, immediately after the word "Corporation", the following: ", or, in the case of a Federal association the deposits of which are insured by the Federal Deposit Insurance Corporation, by the Federal Deposit Insurance Corporation.

70. Amend paragraph (b) of §563b.4 by revising the heading for the notice to read as follows: "Notice of Filing of an Application for Conversion to Convert to a Stock Savings and Loan Association or a Stock Savings Bank".

71. Amend the first sentence of subparagraphs (2) and (3) of paragraph (d) of §563b.8, to read as follows:

§563b.8 *Procedural requirements.*

\* \* \*

(d) *Termination or amendment of charter.*

\* \* \*

(2) A mutual association converting to a Federal stock association shall apply to amend its charter and bylaws to read in the form of a charter and bylaws for a Charter S or Charter T association.\* \* \*

(3) The corporate existence of a mutual association converting to a Federal stock association shall not terminate, but the converted association shall be deemed to be a continuation of the entity of the association so converted.

\* \* \*

#### PART 564 — SETTLEMENT OF INSURANCE

72. Amend Part 564 to add a new §564.11, to read as follows:

§564.11 *FDIC-insured Federal associations.*

Federal associations the deposits of which are insured by the Federal Deposit Insurance Corporation are not deemed to be insured institutions for the purposes of this Part.

#### PART 565 — TERMINATION OF INSURANCE

73. Amend Part 565 to add a new §565.9, to read as follows:

§565.9 *FDIC-Insured Federal associations.*

Federal associations the deposits of which are insured by the Federal Deposit Insurance Corporation are not deemed to be insured institutions for the purposes of this Part.

#### PART 569a — RECEIVERS FOR INSURED INSTITUTIONS OTHER THAN FEDERAL ASSOCIATIONS

74. The heading for Part 569a is amended by removing the phrase SAVINGS AND LOAN".

75. Amend paragraph (a) of §569a.1 by adding the phrase "or Federal savings bank" immediately after the word "association" wherever such word appears.

#### SUBCHAPTER E — RULES AND REGULATIONS FOR FEDERAL MUTUAL SAVINGS BANKS

76. Remove Subchapter E in its entirety, to read as follows:

SUBCHAPTER E — RULES AND REGULATIONS FOR FEDERAL MUTUAL SAVINGS BANKS [Removed eff. December 15, 1982.]

#### SUBCHAPTER F — REGULATIONS FOR SAVINGS AND LOAN HOLDING COMPANIES

#### PART 583 — DEFINITIONS

77. Amend §583.5 by adding the phrase "or savings bank" immediately after the phrase "savings and loan".

78. Amend §583.6 by removing the term "savings and loan" the first time it appears, and by removing the period at the end thereof and adding in its place the following: ", and any Federal association the deposits of which are insured by the Federal Deposit Insurance Corporation".

79. Amend §583.7 by removing the period at the end thereof and adding in its place the following: ", but does not mean a Federal associations the deposits of which are insured by the Federal Deposit Insurance Corporation."

#### PART 584 — REGULATED ACTIVITIES

80. Amend paragraph (e) of §584.1 by adding the phrase "or savings bank" immediately after the phrase "savings and loan" the second time the latter phrase appears. [Sec. 2, 5, 48 Stat. 128, 132, as amended (12 U.S.C. §§1462, 1464); Sec. 401, 402, 403, 405, 406, 407, 48 Stat. 1255, 1256, 1257, 1259, 1260, as amended (12 U.S.C. §§1724, 1725, 1726, 1728, 1729, 1730); Sec. 408, 82 Stat. 5, as amended (12 U.S.C. 1730a); Reorg. Plan No. 3 of 1947; 3 CFR, 1943-1948, Comp., p. 1071]

By the Federal Home Loan Bank Board