

**HOUSE . . . . . No. 1026**

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**The Commonwealth of Massachusetts**

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**In the Year Two Thousand Nine**  
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An Act authorizing the conversion of banks to another charter..

*Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:*

1 SECTION 1. Chapter 168 of the General Laws, as appearing in the 2006 Official  
2 Edition, is hereby amended by inserting after section 34G the following section:-

3 Section 34H. A savings bank as defined in section one of chapter one hundred and sixty-  
4 seven may convert into a credit union pursuant to the provisions of section 80B of chapter 171.

5 SECTION 2. Chapter 170 of the General Laws, as so appearing, is hereby amended by  
6 inserting after section 26H the following section: -

7 Section 26I. A cooperative bank as defined in section one of chapter one hundred and  
8 sixty-seven may convert into a credit union pursuant to the provisions of section 80B of chapter  
9 171.

10 SECTION 3. Chapter 171 of the General Laws, as so appearing, is hereby amended by  
11 inserting after section 80A the following section:-

12 Section 80B. (a) A savings bank governed by the provisions of chapter 168 or a  
13 cooperative bank governed by the provisions of chapter 170 may convert into a credit union

14 subject to the provisions of this section. Any such conversion shall comply with all applicable  
15 federal laws and regulations.

16 (b) A savings or cooperative bank that is at least adequately capitalized and has received  
17 at least a satisfactory rating in its most recent examination for compliance at the Community  
18 Reinvestment Act may submit a detailed plan of conversion approved by 2/3 vote of the entire  
19 board of directors to the commissioner. The commissioner may require changes and additions to  
20 the plan, including but not limited to, changes to any notices, disclosures, or communications,  
21 except as required by federal law or regulation. The commissioner may prescribe regulations for  
22 any savings or cooperative banks to convert to a credit union charter. Unless waived by the  
23 commissioner, the converting savings or cooperative bank shall prepare and submit to the  
24 commissioner a conversion plan which shall include, but not be limited to:

25 A 3-year business plan which shall include performance financial statements for the  
26 credit union;

27 An estimated budget for conversion expenses;

28 Financial statements for the most recently completed quarter;

29 The manner in which the converting bank will comply with membership requirements  
30 and divest itself of customers who do not meet credit union field-of-membership limitations;

31 The manner in which the converting bank will convert its board to a voluntary non-paid  
32 structure and divest its board of stock options, if any;

33 The manner in which the converting bank will divest its capital stock, if any;

34 The manner in which the converting bank will divest impermissible investments;

35           The manner in which the converting bank will comply with branching, share and deposit  
36 limitations;

37           The manner in which the converting bank will comply with organizational member and  
38 member business loan requirements under relevant state and federal provisions;

39           A copy of materials forwarded to corporations or shareholders relative to voting on the  
40 plan of conversion;

41           The proposed amended and restated articles of organization and bylaws of the converting  
42 bank;

43           If applicable, the procedures and timing for conversion from federal deposit insurance to  
44 federal share insurance;

45           If applicable, the procedures and timing for changes in relevant state excess deposit  
46 insurers; and

47           Any other relevant information that the commissioner may reasonably require.

48           (c) The converting bank shall perform a complete policy review to address appraisal  
49 restrictions, lending restrictions, investment restrictions, and corporate structure restrictions, in  
50 order to ensure compliance with the provisions of this chapter and any relevant state or federal  
51 credit union regulations.

52           (d) Upon approval of a plan of charter conversion by the board of directors of the  
53 converting savings or cooperative bank, the conversion plan and certified copy of the resolution  
54 of the board of directors approving the conversion plan shall be submitted to the commissioner.  
55 Included with the plan shall be an information statement to be sent to corporators or shareholders

56 which shall fully and fairly disclose all significant terms and steps to be taken for the conversion  
57 and shall include but not be limited to:

58 (1) a statement as to why the board is considering the conversion.(2) a statement of the  
59 major positive and negative business effects of the proposed conversion.(3) the impact on the  
60 corporators or shareholders financial and other interests in the proposed credit union.

61 (4) a disclosure of any conversion related economic benefit a director or senior  
62 management official may receive including receipt of or an increase in compensation.

63 (e) The commissioner may require changes to the plan of conversion and information  
64 statement. The commissioner may also require any equitable disclosure he determines  
65 applicable to the transaction. The commissioner may specify the form, type, timing and other  
66 material aspects of the plan of reorganization and information statement to be sent to corporators  
67 and shareholders.

68 (f) The commissioner shall review the contents of the plan before the board presents the  
69 conversion plan for a vote. The commissioner shall approve the contents of the conversion plan  
70 and information statement only if the commissioner is satisfied of all of the following:

71 (1) The plan discloses information concerning the advantages and disadvantages of the  
72 proposed conversion.

73 (2) The information statement discloses the impact on the corporators or shareholders  
74 financial and other interests in the credit union.

75           (3) The conversion would not be made to circumvent a pending supervisory action that is  
76 initiated by the commissioner or other regulatory agency because of a concern over the safety  
77 and soundness of the savings or cooperative bank.

78           (g) Upon approval of the contents of the conversion plan and information statement by  
79 the commissioner, the savings or cooperative bank shall call a special meeting of the corporators  
80 or shareholders to vote on the conversion plan. At least thirty days before the meeting, the  
81 savings or cooperative bank shall mail a notice of the meeting, the conversion plan and  
82 information statement to all corporators and shareholders.

83           (h) The plan of conversion shall be approved by a majority vote of the shareholders or  
84 corporators voting. A shareholder or corporator may vote on the proposal to convert in person at  
85 the special meeting held on the date set for the vote or by ballot. The vote on the conversion  
86 proposal shall be by secret ballot and conducted by an independent entity. The independent  
87 entity shall be a company with experience in conducting corporate elections. A director of  
88 officer of the savings or cooperative bank, or an immediate family member of a director or  
89 officer, shall not have an ownership interest in, or be employed by the entity.

90           (i) An officer or director thereof shall not directly or indirectly give or offer or provide a  
91 chance to win a lottery or anything of substantial value, as determined by the commissioner, to  
92 the corporators or shareholders of the bank for an action related to the conversion to a credit  
93 union or as an inducement to vote on the plan of conversion.

94           (j) The provisions on notice to corporators or shareholders and voting procedures in this  
95 section shall govern the process for converting to a credit union notwithstanding other provisions  
96 of this chapter or a by-law of the converting savings or cooperative bank to the contrary.

97 (k) If the commissioner disapproves the methods by which the vote was taken or the  
98 procedures applicable to the vote, the commissioner may direct that a new vote be taken. If the  
99 commissioner does not disapprove of the methods by which the vote was taken within 10 days  
100 after the notification is given, the vote shall be considered approved.

101 (l) Certified copies of records of all proceedings held by the board of directors and  
102 corporators and shareholders of the savings or cooperative bank shall be filed with the  
103 commissioner.

104 (m) The commissioner may authorize a credit union resulting from a charter conversion  
105 under this chapter to do the following:

106 (1) Complete any activities that the converting bank legally engaged in at the effective  
107 time of the charter conversion but that otherwise are not permissible for credit unions; and

108 Retain for a transitional period any assets that the converting bank legally  
109 held at the effective time of the charter conversion that otherwise may not be held by  
110 credit unions.

111 The terms and conditions of the completion of activities under subparagraph (1) and the  
112 retention of assets under subparagraph (2) of this paragraph are subject to the discretion of the  
113 commissioner. However, the transitional period during which activities may be carried out under  
114 subparagraph (1) or assets may be retained under subparagraph (2) may not exceed ten (10) years  
115 after the effective time of the charter conversion.

116 (n) If the conversion to a credit union is approved by the board of directors and the  
117 commissioner receives notification from the converting savings or cooperative bank that all

118 approvals required under state and federal law and regulations, including required approvals for  
119 federal share insurance by the National Credit Union Administration have been obtained, that  
120 any waiting period prescribed by federal law has expired, that membership in the Massachusetts  
121 Credit Union Share Insurance Corporation and of the share insurance fund thereof has been  
122 obtained and that all applicable payments thereto have been made as determined by the  
123 commissioner, then a certificate to transact business shall be issued by the commissioner as  
124 applicable. After receipt of the certificate to transact business, the converting savings or  
125 cooperative bank shall promptly file such certificate and its articles of organization with the  
126 secretary of state. Upon such filing, the charter of the converting savings or cooperative bank  
127 shall automatically cease, and the converting bank shall cease to be a bank and shall become a  
128 credit union. Upon such conversion, the converted credit union shall possess all the rights,  
129 privileges, and powers granted to it by its articles or organization and by the provisions of  
130 general statues applicable to the type of credit union charter to which it converted. All of the  
131 assets and business of the converting savings or cooperative bank shall transferred to and vested  
132 in it without any deed or instrument of conveyance, provided the converting bank may execute  
133 any deed or instrument of conveyance as is convenient to confirm such transfer. The converted  
134 credit union shall be subject to all of the duties, relations, obligations, and liabilities of the  
135 converting bank, whether as debtor, depository, or otherwise, and shall be liable to pay and  
136 discharge all such debts and liabilities, to perform all such duties in the same manner and to the  
137 same extent as if the converted credit union had itself incurred the obligation or liability or  
138 assumed the duty or relation. All rights of the credits of the converting savings or cooperative  
139 bank shall be preserved unimpaired, and the converted credit union shall be entitled to receive,  
140 collect, accept, hold, and enjoy any and all gifts, bequests, devises, conveyances, and

141 appointments in favor of or in the name of the converting savings or cooperative bank and  
142 whether made or created to take effect prior to or after the conversion.

143 (o) A person who willfully violates the disclosure provisions of this section knowing the  
144 disclosures made to be false or misleading in a material respect shall upon conviction be fined  
145 not more than \$5,000 or imprisoned not more than 3 years, or both.