

HOUSE BILL REPORT

SB 5931

As Reported By House Committee On:
Financial Institutions & Insurance

Title: An act relating to state-chartered financial institutions parity with federally chartered financial institutions.

Brief Description: Providing parity among financial institutions.

Sponsors: Senators Prentice and Hale.

Brief History:

Committee Activity:

Financial Institutions & Insurance: 3/23/95 [DPA].

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: Do pass as amended. Signed by 14 members: Representatives L. Thomas, Chairman; Beeksma, Vice Chairman; Smith, Vice Chairman; Wolfe, Ranking Minority Member; Grant, Assistant Ranking Minority Member; Benton; Campbell; Costa; Dyer; Huff; Kessler; Mielke; Ogden and Pelesky.

Staff: Charlie Gavigan (786-7340).

Background: Banks are regulated by the federal government, the state, or both. State-chartered banks are regulated by the state Department of Financial Institutions and the Federal Deposit Insurance Corporation (FDIC). Federally-chartered banks are regulated by the Comptroller of the Currency, the Federal Reserve Board, and the FDIC. The bank chooses whether to be state-chartered or federal-chartered.

State regulation of state-chartered banks is based on state statutes and rules adopted by the Department of Financial Institutions. These statutes include: (1) limits on loans to one person; (2) reports of financial condition; and (3) filing of reports.

Federally-chartered banks sometimes have an advantage over state-chartered banks based on federal laws or rulings of federal agencies. For instance, the Office of the Comptroller of the Currency has interpreted federal law to allow federally-chartered banks to move their headquarters up to 30 miles, including across state lines, and consolidate the branches in both states when the headquarters are moved from one state to another.

Summary of Amended Bill: Revisions are made to state statutes regarding regulation of banks. The lending limit of state banks is raised in some instances. The director of the Department of Financial Institutions must be guided by rulings of the Comptroller of the Currency regarding limits on loans to any one person. The financial report of the assets and liabilities of banks, which must be made at least three times to the director of the Department of Financial Institutions, no longer must be published in a local newspaper. The director must provide a copy of this and other regular reports of banks free of charge to any person that requests a copy of the report.

State banks are granted the same powers and authorities that federally-chartered banks had on August 31, 1994, including related restrictions. For powers granted to federally-chartered institutions after August 31, 1994, state banks are granted these same powers and authorities if the director of the Department of Financial Institutions makes certain findings.

Amended Bill Compared to Original Bill: Provisions are added that grant state banks complete parity with federally-chartered institutions based on powers federally chartered banks had on August 31, 1994, and with new powers acquired after that date with the approval of the Department of Financial Institutions.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date of Amended Bill: Ninety days after adjournment of session in which bill is passed.

Testimony For: This bill maintains parity between national and state banks. It ensures that state banks aren't put at a disadvantage to federally-chartered banks regarding some lending limits and reporting requirements. Thrifts already have broad parity provisions in state law; the amendment does the same for banks.

Testimony Against: While the underlying bill is fine, the amendment greatly broadens state bank's authority, such as allowing interstate branching to occur before the state has thoroughly considered its options under the federal interstate branching law that passed last year.

Testified: Meara Nisbit, Washington Bankers Association (pro); and Scott D. Nelson (con with amendment).