

SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

BILL NO. House Bill 2368

PRINTER'S NO. 4217

AMOUNT

No Fiscal Impact

FUND

General Fund

DATE INTRODUCED

June 18, 2012

PRIME SPONSOR

Representative Payne

HISTORY OF BILL

Referred to COMMERCE, June 18, 2012

Reported as amended, June 25, 2012

First consideration, June 25, 2012

Re-committed to RULES, June 25, 2012

Re-reported as committed, June 27, 2012

Second consideration, June 27, 2012

Re-committed to APPROPRIATIONS, June 27, 2012

(Remarks see House Journal Page), June 27, 2012

Re-reported as committed, June 28, 2012

Third consideration and final passage, June 28, 2012 (201-0)

In the Senate

Referred to BANKING AND INSURANCE, June 29, 2012

Reported as amended, Oct. 2, 2012

First consideration, Oct. 2, 2012

Second consideration, Oct. 3, 2012

Re-referred to APPROPRIATIONS, Oct. 3, 2012

Re-reported as amended, Oct. 15, 2012

DESCRIPTION AND PURPOSE OF BILL

House Bill 2368 amends the Banking Code of 1965 (Act 356 of 1965) by upgrading and modernizing antiquated sections, inserting mandatory federal Dodd-Frank lending limit language, and increasing state-chartered banks' ability to invest in branches based on 100% of capital assets.

The Banking Code of 1965 provides state-chartered banks, savings banks and trust companies with their powers and duties and regulates those powers and duties. House Bill 2368 streamlines and modernizes the Banking Code of 1965 in the following ways:

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- Simplifies and modernizes all commercial, mortgage and consumer lending provisions, and reflects and clarifies the current, deregulated commercial, mortgage and consumer lending interest rates and fees.
- Inserts mandatory federal Dodd-Frank lending limit language that requires state financial regulators to consider credit exposure to derivative transactions.
- Increases the fixed asset/ban premises investment authority prior approval threshold from 25% to 100% of capital, surplus and undivided profits, which conforms to rules governing federally chartered institutions. This language is important to national banks that may be considering converting to a state charter.
- Increases penalties for unlawful lending and trust activities. The penalty is currently a misdemeanor with fines set at \$1,000 to \$5,000. The legislation increases the penalty to a felony with fines ranging from \$10,000 to \$500,000.
- Removes the cap on the number of individuals who can be beneficiaries of deposit accounts. The current limit is two. This would allow consumers to have all of their children as beneficiaries on deposit accounts.
- Allows institutions to be organized as limited liability companies (LLCs).
- Clarifies the standard of care for directors and officers making it the same as in the Business Corporation Law.
- Permits transactions between banks owned by the same bank holding company as non-branching activity.
- Eases bank and trust company merger activity and permits a credit union to convert to a mutual savings bank; a bank or bank and trust company to convert to a stock savings bank; and a savings bank to convert into a bank or a bank and trust company.
- Requires banks and savings banks to use the same appraisal standards.

House Bill 2368 contains other technical provisions that update, eliminate or clarify antiquated provisions in the Code. For example, the legislation eliminates all references to "national banks" consistent with federal preemption requirements.

The Act shall take effect in 60 days.

FISCAL IMPACT:

The legislation will have no adverse fiscal impact on Commonwealth funds.