

HOUSE BILL REPORT

SSB 5270

As Reported By House Committee On:
Financial Institutions & Insurance
Appropriations

Title: An act relating to the creation of the department of financial institutions.

Brief Description: Creating a department of financial institutions.

Sponsors: Senate Committee on Labor & Commerce (originally sponsored by Senators Moore, Prentice and Amondson).

Brief History:

Reported by House Committee on:
Financial Institutions & Insurance, March 25, 1993, DP;
Appropriations, April 3, 1993, DPA.

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: Do pass. Signed by 14 members:
Representatives Zellinsky, Chair; Scott, Vice Chair; Mielke,
Ranking Minority Member; Dyer, Assistant Ranking Minority
Member; Anderson; Grant; R. Johnson; Kessler; Kremen;
Lemmon; R. Meyers; Reams; Schmidt; and Tate.

Staff: John Conniff (786-7119).

Background: State-chartered financial institutions are regulated by two separate divisions within the Department of General Administration. The Division of Banking charters, examines, and regulates state-chartered commercial banks, savings banks, trust companies, and alien institutions. In addition, the Division of Banking licenses consumer loan companies and check cashers and sellers. The Division of Savings and Loan charters, examines, and regulates state-chartered credit unions and savings and loan associations. Both divisions maintain their own administrative and examination staff.

A recent report by an industry advisory panel to the Department of General Administration recommends the consolidation of these two divisions into a new department with an advisory board. The panel recommends the new department contain the following divisions: a division for the regulation of all FDIC-insured institutions, a division

for the regulation of credit unions, and a division for consumer affairs to regulate consumer loan companies and check cashers and sellers.

The panel cited several reasons for its recommendations. For example, by being devoted solely to the regulation of financial institutions, the new department will have increased visibility and concentration concerning regulatory issues. The combination of similar functions also is anticipated to improve the quality and efficiency of the regulatory process.

Summary of Bill: The Department of Financial Institutions is created.

The director of the department is appointed by the governor. The director is granted all powers and functions currently possessed by the Department of General Administration with respect to the entities regulated by the divisions of Banking and Savings and Loan.

In addition, the regulatory authority of the Securities Division within the Department of Licensing is transferred to the new department. The Division of Securities is to be funded by a nonappropriated dedicated fund into which 13 percent of all monies received by the division are deposited with the remainder going to the general fund. Monies deposited in the fund may only be used for the expenses of regulation performed by the Division of Securities.

The directors of the departments of General Administration and Licensing are directed to take those steps necessary to implement the new department by July 1, 1994.

Fiscal Note: Available.

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

Testimony For: For years, the Legislature has considered proposals to increase the efficiency of financial institution supervision through creation of a Department of Financial Institutions. As a result of industry advisory panel efforts, traditional disputes among regulated institutions have been resolved and all institutions agree on the creation of a new department.

Testimony Against: None.

Witnesses: Scott Gaspar, Washington Savings League (pro); Gary Gardner, Washington Credit Union League (pro); and Tom Lundbom, Twin County Credit Union (pro).

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass as amended. Signed by 18 members: Representatives Locke, Chair; Valle, Vice Chair; Carlson, Assistant Ranking Minority Member; Appelwick; Basich; Dellwo; Dorn; Dunshee; G. Fisher; Jacobsen; Lemmon; Linville; Peery; Rust; Sommers; Wang; Wineberry; and Wolfe.

Minority Report: Do not pass. Signed by 7 members: Representatives Silver, Ranking Minority Member; Ballasiotes; Cooke; Sehlin; Sheahan; Stevens; and Talcott.

Staff: Beth Redfield (786-7130).

Summary of Recommendation of Committee on Appropriations Compared to Recommendation of Committee on Financial Institutions & Insurance: Expenditures from the securities regulation fund may be made only after appropriation. The act takes effect October 1, 1993, rather than on or before July 1, 1994.

Fiscal Note: Available.

Effective Date: The bill takes effect October 1, 1993.

Testimony For: None.

Testimony Against: None.

Witnesses: None.