

# HOUSE BILL REPORT

## SSB 5058

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

**Title:** An act relating to the establishment and authority to conduct the business of state-chartered financial institutions.

**Brief Description:** Regulating certain financial institutions.

**Sponsors:** Senate Committee on Commerce, Trade, Housing & Financial Institutions (originally sponsored by Senators Prentice and Winsley; by request of Department of Financial Institutions).

**Brief History:**

**Committee Activity:**

Financial Institutions & Insurance: 3/23/99 [DP].

**Brief Summary of Bill**

- Provides for the initial creation of state-chartered stock savings banks.
- Clarifies authority of state-chartered savings banks to make certain decisions by a committee of the board of trustees, and to make decisions prospectively by policy or resolution.
- Codifies other existing powers, authorities, and limitations of state chartered savings banks as derived from federal banking laws and Department of Financial Institutions administrative determinations.

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### HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

**Majority Report:** Do pass. Signed by 11 members: Representatives Benson, Republican Co-Chair; Hatfield, Democratic Co-Chair; Bush, Republican Vice Chair; McIntire, Democratic Vice Chair; Barlean; Cairnes; Keiser; Quall; Santos; Sullivan and Talcott.

**Staff:** Anntonette Alberti (786-7117).

**Background:**

Washington-based savings bank and savings and loan assets are the largest in the nation. The Governor requested that the Department of Financial Institutions (DFI) review banking statutes and administrative code for the purposes of streamlining regulatory requirements and modernizing procedures.

Washington banking law does not provide for the initial creation of stock savings banks. However, Washington banking law does provide for the creation of new mutual savings banks and the conversion of existing mutual savings banks to stock savings banks. If a person wants to start a new stock savings bank, the person must simultaneously start a mutual savings bank and convert it to a stock savings bank.

Washington laws pertaining to mutual savings banks do not account for recent changes in federal banking law. Parity statutes give Washington banks the same powers and authorities of federal savings banks. Thus, the powers of Washington savings banks are broader than those detailed in statute.

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**Summary of Bill:**

The DFI may authorize the initial incorporation of stock savings banks. The provisions allowing the initial incorporation of stock saving banks are virtually identical to those allowing for the formation of commercial banks and mutual savings banks. The DFI must investigate the proposed bank, approve the articles of incorporation, and issue a certificate of authority before the stock savings bank may transact business.

State savings banks are allowed to provide retirement benefits, health insurance benefits, and incentive compensation. A committee of the board of trustees can approve benefit plans and incentive compensation programs. Officers of the bank cannot sit on the committee that approves such plans and programs.

The boards of trustees of state savings banks are allowed to create general policies regarding borrowing so that individual borrowing decisions made in conformance with the board-approved policy do not have to be individually considered by the board.

The investment powers of state savings banks are broadened to allow investment in new types of business entities and additional industries. Mutual savings banks may invest in qualified thrift investments. Savings banks may invest in holding companies. Certain investment conditions are removed.

The dates in state parity laws are updated, clarifying that state-chartered savings banks have the same powers and authorities as federally-chartered savings banks as of

the effective date of this act. Powers of federal savings banks granted after the effective date of this act must be approved by the director of DFI before they will extend to state savings banks.

Savings banks may choose what type of information to require and technology to employ when making payments to recipients. Savings banks may use local market conditions to classify depositors.

Savings bank boards of trustees must meet at least six times per year, consistent with federal law. Certain reporting requirements to the board of trustees are relaxed.

Domestic savings banks may merge, consolidate, and transact with a broad range of financial institutions. Domestic savings banks may convert to a broad range of financial institutions. Federal and state commercial banks may convert to state savings banks. Stock savings banks may convert to mutual savings banks.

Dissenting stockholders of a stock savings bank will receive the value of their shares if the bank converts to a savings bank without capital stock.

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**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For:** This bill is needed to facilitate well run financial institutions and to provide guidance for poorly run institutions. It merely codifies existing powers and authorities. This is executive request legislation and it has been reviewed by all of the interested parties throughout the interim period. There is no opposition to this bill.

**Testimony Against:** None.

**Testified:** (In support) John L. Bley, Director, Department of Financial Institutions; and Scott Gaspard, Washington Savings League.