

SENATE BILL REPORT

SB 5714

As Reported By Senate Committee On:
Financial Services, Insurance & Housing, February 20, 2003

Title: An act relating to financial institution law parity.

Brief Description: Providing financial institution law parity.

Sponsors: Senators Benton and Prentice.

Brief History:

Committee Activity: Financial Services, Insurance & Housing: 2/20/03 [DPS].

SENATE COMMITTEE ON FINANCIAL SERVICES, INSURANCE & HOUSING

Majority Report: That Substitute Senate Bill No. 5714 be substituted therefor, and the substitute bill do pass.

Signed by Senators Benton, Chair; Winsley, Vice Chair; Keiser, Prentice, Roach and Zarelli.

Staff: Joanne Conrad (786-7472)

Background: The Washington State Department of Financial Institutions (DFI), as the primary state regulator, is responsible for oversight of the safety and soundness of a broad range of state-chartered financial institutions. These include banks, mutual savings banks, savings and loans and credit unions.

In order for the state to maintain parity among state-chartered entities, and between state and national financial institutions, state laws have been updated and clarified several times since 1980. Currently, state banks regulated under Title 30 of the Revised Code of Washington (RCW) do not have total parity with state mutual savings banks, regulated under Title 32 RCW.

Financial depository institutions in Oregon, Idaho and 21 other jurisdictions have no ceiling on interest rates and have the ability to export interest rates for multi-state operations. These are market-driven, competitive interest rates.

Summary of Substitute Bill: Complete "universal" parity is established between Title 32 savings banks, Title 30 state banks, and Title 32 mutual savings banks. DFI maintains its role as the state regulator for all these state-chartered entities, supervising them and examining them for safety and soundness.

All state depository institutions (banks, mutual savings banks, savings and loans, and credit unions) have parity with national banks, regarding the maximum rates and fees for home equity and consumer loans. Ambiguity on this point is clarified in statute.

Substitute Bill Compared to Original Bill: The original bill was not considered.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: This "universal charter" will have positive effects on financial institutions headquartered in Washington, and will help retain banking entities in Washington because the state's institutions will be more competitive with federally-chartered ones. This bill will help level the playing field and will not artificially raise rates.

Testimony Against: None.

Testified: Greg Pierce and Scott Gaspard, WA Financial League; Stacy Augustine, WA Credit Union League; Helen Howell, Director, Dept. of Financial Institutions; Linda Jekel, Div. of Credit Unions, DFI.