

HOUSE BILL REPORT

ESSB 5997

As Passed House - Amended:

April 7, 2005

Title: An act relating to banks, savings banks, and mutual savings banks branches.

Brief Description: Regulating out-of-state banks, savings banks, and mutual savings banks branches.

Sponsors: By Senate Committee on Financial Institutions, Housing & Consumer Protection (originally sponsored by Senators Spanel and Benton).

Brief History:

Committee Activity:

Financial Institutions & Insurance: 3/29/05, 3/31/05 [DPA].

Floor Activity:

Passed House - Amended: 4/7/05, 95-0.

Brief Summary of Engrossed Substitute Bill (As Amended by House)

- Allows an out-of-state bank or savings bank to establish branches in Washington on the same or less favorable terms as are imposed on Washington-chartered banks or savings banks seeking to establish branches in the state where the institution is chartered or has its principal place of business.
- Allows an acquiring depository association to seek to acquire control of a Washington savings bank under the same or less favorable terms as are applied to a Washington mutual savings bank or holding company of a mutual savings bank seeking to acquire control of an entity in the home state of the acquiring depository institution.
- Defines "acquiring depository institution."

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: Do pass as amended. Signed by 11 members: Representatives Kirby, Chair; Ericks, Vice Chair; Roach, Ranking Minority Member; Tom, Assistant Ranking Minority Member; Newhouse, O'Brien, Santos, Serben, Simpson, Strow and Williams.

Staff: Jon Hedegard (786-7127).

Background:

The Department of Financial Institutions (DFI) regulates Washington's state-chartered commercial banks, stock savings banks, mutual savings, alien banks, and savings and loans.

Federal law allows states to choose from several approaches in regulating interstate branches of out-of-state banks. A state may:

- allow an out-of-state entity to have in-state branches without imposing requirements;
- allow an out-of-state entity to have in-state branches only if the state where the entity is chartered or has its principal place of business has reciprocal requirements. This is called "de novo" branching;
- allow an out-of-state entity to have in-state branches if it acquires a domestic bank. There is often a requirement that the purchased bank must have been in business for a fixed period of time before the acquisition;
- impose strict barriers on out-of-state entities that seek in-state branches; or
- prohibit an out-of-state entity from having in-state branches.

In 1996, the Legislature permitted interstate branching by out-of-state banks and savings banks through the acquisition of an entire domestic bank that has been doing business for at least five years. There is an exception to this general requirement; an out-of-state commercial bank may charter a de novo savings bank as a subsidiary and merge the savings bank into the commercial branch as a branch.

A bank, bank holding company in existence for three consecutive years, a converted mutual savings bank, or the holding company of a mutual savings bank are required only to notify the Director of the DFI of an intention to acquire control of a converted savings bank.

Summary of Amended Bill:

An out-of-state bank or savings bank may establish branches in Washington on the same or less favorable terms as are imposed on Washington-chartered banks or savings banks seeking to establish branches in the state where the institution is chartered or has its principal place of business. If the other state allows for a de novo branch for a Washington-chartered bank, then an out-of-state bank may have a de novo branch under the same terms. If another state imposes a requirement that a Washington bank must acquire existing branches, similar terms will apply to the banks from that other state.

An acquiring depository association may seek to acquire control of a Washington savings bank under the same or less favorable terms as are applied to a Washington mutual savings bank or holding company of a mutual savings bank seeking to acquire control of an entity in the home state of the acquiring depository institution.

"Acquiring depository institution" is defined to include bank or bank holding company, a converted mutual savings bank, a savings and loan, or the holding company of a savings and loan association.

A merger of a domestic stock savings bank and certain out-of-state national bank is not prohibited by the bill if the application for the merger is submitted on or before the bill becomes effective.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date of Amended Bill: The bill has an emergency clause and takes effect immediately..

Testimony For: The bill seeks to achieve reciprocity in bank branching. It increases the ability of Washington-chartered banks to branch in other states. This levels the playing field for our Washington-chartered banks. The proposed amendment seeks to protect the rights of a bank that has already turned in an application for a merger. The bill and the amendment have the support of the Department of Financial Institutions and the banking industry.

Testimony Against: None.

Persons Testifying: Senator Spanel, prime sponsor; David Kroeger, Department of Financial Institutions; Denny Eliason, Washington Bankers Association; and Marc Gasparp, Washington Financial League.

Persons Signed In To Testify But Not Testifying: None.