

SENATE BILL REPORT

SB 5997

As Reported By Senate Committee On:
Financial Institutions, Housing & Consumer Protection, March 1, 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: Senators Spanel and Benton.

Brief History:

Committee Activity: Financial Institutions, Housing & Consumer Protection: 3/1/05 [DPS].

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & CONSUMER PROTECTION

Majority Report: That Substitute Senate Bill No. 5997 be substituted therefor, and the substitute bill do pass.

Signed by Senators Fairley, Chair; Berkey, Vice Chair; Benton, Ranking Minority Member; Benson, Brandland, Delvin, Franklin, Keiser, Prentice, Schmidt and Spanel.

Staff: Joanne Conrad (786-7472)

Background: In 1994, Congress passed an interstate bank branching act (Riegle-Neal Act), giving states five choices on how to handle interstate bank branching. Washington State chose to permit interstate branching by allowing acquisition of an entire domestic (Washington) bank, provided that the domestic bank has been in business for at least five years.

Another federally-allowable choice, taken by approximately 16 states, is called "reciprocal de novo branching." Under that approach, an out-of-state financial institution would be permitted to form branches in Washington State without having to first acquire a bank, provided that the other state has laws permitting branching by a Washington State bank or savings bank on equally favorable terms and conditions as Washington offers.

Summary of Substitute Bill: Both commercial banks (under Title 30) and savings banks (under Title 32) are allowed to engage in reciprocal de novo bank branching. Out-of-state banks can open branches in Washington State, if they allow Washington State commercial and savings banks to open branches in their states, with equally favorable terms and conditions. The requirement that a financial institution acquire a mature domestic bank before engaging in branching is removed.

Substitute Bill Compared to Original Bill: Technical changes in some definitions are made.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

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

Testimony For: This bill would provide true reciprocity with other states, approximately 20 of which have eliminated barriers to branching. It is widely supported by the industry, and helps level the playing field.

Testimony Against: None.

Who Testified: PRO: Dave Kroeger, Dir. of Banking, DFI; Jim Pishue, WA Bankers Assoc.; Marc Gaspard, WA Financial League.