

HOUSE BILL REPORT

HJM 4029

As Reported by House Committee On:
Financial Institutions & Insurance

Brief Description: Requesting certain federal entities to actively support certain community bank policies and legislation.

Sponsors: Representatives Bailey, Kirby, Rolfes and Kelley.

Brief History:

Committee Activity:

Financial Institutions & Insurance: 1/28/10 [DPS].

Brief Summary of Substitute Bill

- Petitions the legislative and executive branches of the federal government to actively support policies and legislation to: (1) provide funds to community banks; (2) aid in efforts to facilitate loans from community banks to small businesses and the residential and commercial real estate sectors; (3) enable community banks to seek new sources of capital; and (4) ensure that the same examination standards are applied to all banks.

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives Kirby, Chair; Kelley, Vice Chair; Bailey, Ranking Minority Member; Parker, Assistant Ranking Minority Member; Hurst, McCoy, Nelson, Roach, Rodne, Santos and Simpson.

Staff: Jon Hedegard (786-7127).

Background:

Bank Regulation.

A state bank (also known as a community bank) is a bank that is chartered and primarily regulated by this state. A federally chartered bank (also known as a national bank) is a bank that is chartered and primarily regulated by the federal government.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Summary of Substitute Bill:

The Washington Legislature requests the President of the United States, the Secretary of the Treasury, the President of the U.S. Senate, the Speaker of the U.S. House of Representatives, and the U.S. Senate and House of Representatives actively support policies and legislation to:

- develop and expedite an efficient small business lending program that allows community banks to begin making loans to small businesses that are unable to obtain financing;
- facilitate lending by community banks to the residential and commercial real estate sectors;
- permit community banks to seek alternative sources of capital; and
- ensure that examination standards are applied evenly to all banks across the United States, regardless of size or regulator.

Legislative findings include that:

- the state's community banks play a significant role in their communities;
- the current financial conditions have placed many banks at risk, and five institutions chartered by the state have closed;
- some actions taken by federal regulators have harmed community banks and have aggravated the difficulties faced by community banks;
- the state's community banks did not cause the financial crisis and did not engage in subprime lending;
- concerns exist that banks in some regions of the nation are being subjected to stricter examinations than others; and
- community banks are best positioned to help our small businesses lead us out of current economic conditions.

Substitute Bill Compared to Original Bill:

A finding concerning access to federal sources of capital is removed. A request to develop a new federal program to provide Troubled Asset Relief Program funds is removed.

Appropriation: None.

Fiscal Note: Not requested.

Staff Summary of Public Testimony:

(In support) The proposed substitute memorial is a better vehicle than the underlying memorial. Current economic conditions have lead to problems for the community banks of this state. Those problems, in turn, impact the people and businesses of the state. Some of the difficulties and pressures are caused by decisions and programs of the federal government. Something should be done to help the banks of this state. The Governor shares these concerns. A memorial seemed like an appropriate method to convey these concerns.

The memorial emphasizes the concerns regarding state banks and relates the importance of those banks to our communities. The memorial asks for the federal government to help in a number of reasonable ways. This is an important show of support for our banks. Recent conditions have provided quite a shock to community banks. This is about jobs across the state that are funded by our state banks.

(Opposed) None.

Persons Testifying: Representative Bailey, prime sponsor; and Brad Tower, Community Bankers of Washington.

Persons Signed In To Testify But Not Testifying: None.