

SUBJECT: Adding banker and public member to Texas Finance Commission

COMMITTEE: Pensions, Investments and Financial Services — favorable, without amendment

VOTE: 6 ayes — Truitt, Anchia, Legler, Nash, Orr, Veasey

0 nays

3 absent — C. Anderson, Creighton, Hernandez Luna

SENATE VOTE: On final passage, April 7 — 31-0, on Local and Uncontested Calendar

WITNESSES: (*On House companion bill, HB 237:*)

For — Steve Scurlock, Independent Bankers Association of Texas;
(*Registered, but did not testify:* Celeste Embrey, Texas Bankers Association)

Against — None

On — Leslie Pettijohn, Finance Commission

BACKGROUND: The Finance Commission is responsible for overseeing, coordinating and making policy for the Texas Department of Banking, the Department of Savings and Mortgage Lending, and the Office of Consumer Credit Commissioner. Among its duties are the responsibilities to protect consumer interests, maintain a sound banking system, and ensure that state depository and lending institutions function as a system.

The commission includes nine members appointed by the governor, with the consent of the Senate: one banking executive, one savings executive, one consumer credit executive, one mortgage broker, and five representatives of the general public. The members serve staggered six-year terms, a third expiring on February 1 of each even-numbered year.

DIGEST: SB 249 would add two members to the Finance Commission, resulting in a total of 11 members. One additional member would be a banking executive, and the other would be a representative of the general public.

All the members would serve staggered, six-year terms, with as close to a third of their terms as possible expiring on February 1 of each even-numbered year.

As soon as practicable after the effective date of the bill, the governor would appoint the additional two members. One new member's term would expire in 2014, and the other's would expire in 2016.

The bill would take effect immediately if it receives two-thirds vote from each house. Otherwise, it would take effect on September 1, 2011.

**SUPPORTERS
SAY:**

The banking industry is underrepresented on the Finance Commission in proportion to its importance to the Texas economy. The commission's budget for regulating the Department of Banking is almost double the combined budget for its regulation of the Department of Savings and Mortgage Lending and the Office of Consumer Credit Commissioner. The commission's full-time staff regulating the banking industry is almost one-and-a-half times larger than the staff for the other agencies' regulation. The complexities of the banking industry, alongside this clear discrepancy in budget and staff, show that it is underrepresented in the commission with only one member. In addition, with the additional commission member from the general public, their voices would retain a majority status on the commission.

**OPPONENTS
SAY:**

The mission of the Finance Commission is to ensure the responsible actions of the various agencies it regulates, not to give more power to one industry over others. Because the banking industry has an important role in the Texas economy, it already has a voice on the Finance Commission. An additional representative on the commission could lead to the same self regulation that precipitated the recent national economic recession.

NOTES:

The House companion bill, HB 237 by Flynn, was considered in a public hearing on April 12 and was reported favorably, without amendment, by the House Pensions, Investments and Financial Services Committee on May 6.

A related bill, HB 1681 by Harless, which would add a motor vehicle sales financing licensee to the Finance Commission and reduce the number of

public members from five to four, passed the House by 136-2 on May 13 and was referred to the Senate Business and Commerce Committee on May 16.