

BILL ANALYSIS

Senate Research Center
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S.B. 1493
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DIGEST AND PURPOSE

Currently, state law does not require financial institutions doing business in Texas to report information necessary to measure and evaluate the financial institution's loan to deposit ratio, or the relationship of the institution with the local community and borrowers. Without this information, Texas cannot reward financial institutions that are good contributing citizens to the state's economy nor can it identify an institution that is harvesting and exporting Texas capital rather than reinvesting that capital in Texas communities. The doctrine of federal preemption limits the reporting and disclosure that Texas can require of financial institutions, but there is no limitation on encouraging voluntary reporting and disclosure by financial institutions. As proposed, S.B. 1493 provides that a financial institution doing business in Texas can serve as a depository of Texas public funds only if the institution files an annual report stating its deposit levels and the levels of certain home, commercial, small business and household loans; files an annual report describing its community reinvestment initiatives, its small business loans, its business and loan assistance programs, its employee base, and its charitable contributions; advertises its prime lending rate for small businesses in advertisements for small business loans; and has not been assigned a rating below "satisfactory record of meeting community credit need" under federal regulatory law.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Title 3Z, Finance Code, by adding Chapter 278, as follows:

CHAPTER 278. DEPOSIT OF PUBLIC FUNDS SUBCHAPTER A. GENERAL PROVISIONS

Sec. 278.001. DEFINITIONS. Defines "branch," "county in which the financial institution does business," "depository of public funds," "home office," "financial institution," "public agency," and "state agency."

Sec. 278.002. RESTRICTION ON DEPOSITORY OF PUBLIC FUNDS. Authorizes a financial institution doing business in this state to serve as a depository of public funds under certain conditions.

[Reserves Sections 278.003-278.010 for expansion]

SUBCHAPTER B. REQUIREMENTS FOR DEPOSITORIES OF PUBLIC FUNDS

Sec. 278.011. ANNUAL REPORT OF DEPOSITS AND LOANS. Authorizes a financial institution doing business in this state to serve as a depository of public funds only if the financial institution, on or before June 30 of each year, submits an itemized report to the state agency

that regulates the financial institution or, if the financial institution is not regulated by an agency of this state, to the Texas Department of Banking, covering the preceding calendar year and stating, separately for each county in which the financial institution does business, certain information.

Sec. 278.012. ADVERTISEMENT OF SMALL BUSINESS LOAN SERVICES.

Authorizes a financial institution to serve as a depository of public funds only if the financial institution does not display or publish, or cause to be displayed or published, except to the extent permitted by federal law, a written advertisement in a newspaper that contains information regarding small business loan services offered by the financial institution unless the advertisement states the financial institution's prime lending rate for small businesses in at least eight-point type.

Sec. 278.013. RATING OF FINANCIAL INSTITUTION. Prohibits a financial institution that has been assigned a rating below "satisfactory record of meeting community credit needs" under 12 U.S.C. Section 2906 from serving as a depository of public funds.

Sec. 278.014. ANNUAL REPORT OF COMMUNITY LOANS. Authorizes a financial institution doing business in this state to serve as a depository of public funds only if the financial institution, on or before June 30 of each year, submits an itemized report to the state agency that regulates the financial institution or, if the financial institution is not regulated by an agency of this state, to the Texas Department of Banking, covering the five preceding calendar years and describing, separately for each year and county in which the financial institution does business, certain information.

[Reserves Sections 278.015-278.030 for expansion]

SUBCHAPTER C. WITHDRAWAL OF PUBLIC FUNDS

Sec. 278.031. WITHDRAWAL WITHOUT PENALTY. Requires the depository contract between a financial institution and a public agency to authorize the withdrawal of public funds on deposit without penalty under certain circumstances.

Sec. 278.032. MANDATORY WITHDRAWAL. Requires the public agency that deposited the funds to take immediate action to transfer all public funds on deposit with a financial institution that is assigned a rating below "satisfactory record of meeting community credit needs" under 12 U.S.C. Section 2906 to a financial institution that complies with this chapter.

SECTION 2. Amends Section 404.0212, Government Code, to require the comptroller, not later than August 1 of each year, to publish and make available for public inspection a report that shows the ratings assigned under 12 U.S.C. Section 2906 to the financial institutions that serve as depositories of public funds, as defined by Section 278.001 (Definitions), Finance Code, for which the comptroller has information of the ratings.

SECTION 3. (a) Requires a financial institution to submit the first reports under Sections 278.011 and 278.014, Finance Code, as added by this Act, on or before June 30, 2002.

(b) Makes application of Section 278.012, Finance Code, as added by this Act, prospective to September 1, 2001.

(c) Requires that the state and each state agency, political subdivision, and publicly owned utility, except as provided by Subsection (d) of this section, to ensure that funds deposited by the entity are deposited in compliance with Chapter 278, Finance Code, as added by this Act, not later than January 1, 2003.

(d) Requires that a depository contract executed on or after the effective date of this Act must comply with Chapter 278, Finance Code, as added by this Act.

SECTION 4. Effective date: September 1, 2001.