

MEMORANDUM

DATE: March 24, 2023
TO: Senate State and Local Government Committee
FROM: Lise Kruse, Commissioner, Chair of the State Banking Board and State Credit Union Board
SUBJECT: Testimony in Opposition of House Bill No. 1285

The Department of Financial Institutions (DFI) is tasked with the oversight of banks, credit unions and several nonbank entities that provide financial services in North Dakota. The non-depository institutions include trust companies, collection agencies, payday lenders, money transmitters, debt settlement service providers, and all nonbank lenders (money brokers), and mortgage loan originators.

DFI has long enjoyed an excellent working relationship and partnership with the ND legislature. As the DFI has spent the last few legislative sessions introducing bills removing red tape negatively affecting the industries we regulate, and introducing updated language and new additions to law to accommodate new financial product offerings, the legislative body has overwhelmingly voted in favor of anything we have proposed. Oversight of the financial services industry is either conducted by state or federal regulators. In order to withstand federal pre-emption and overreach, it is important state laws and regulations are up to date. This bill adds additional steps to the process which discourages agencies from seeking updates or changes which reduce bureaucratic red tape. The current process ensures that our state-chartered financial institutions can remain competitive, limits the risk of federal preemption, and also ensures that we are on the forefront of protecting citizens from financial fraud.

The current structure is effective. DFI always seeks industry input before introducing any bills, and works with legislators to ensure all bills are sound legislation that addresses the concerns of all stakeholders. Although there is an opportunity to have a legislator introduce DFI bills, DFI recognizes that financial regulations are often highly technical and may cover topics that legislators may not want to attach their name to. For example, last session, the law related to bank failures was revised. It is a necessary function for the state to retain in order to not give that authority to the federal government, however, many legislators may be hesitant to attach their name to a bill that could have a “negative” connotation.

Our department has always viewed legislators as partners. You are our elected officials, representing the will of the people. DFI is here to assist within our field of expertise. While you have allowed us to introduce bills, you pass the laws, and we execute these laws on your behalf. And then the third branch of government is there to make sure everything is done legally. This structure is effective, working together in such a manner ensures that we can do the best for our citizens. Limiting the introduction of law as outlined in HB 1285 is inefficient, has the real potential of making our laws antiquated and obsolete, and puts additional burdens and pressure on our legislators. Appreciating the current framework of partnership, DFI respectfully opposes HB 1285.