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ROLL NUMBER

DESCRIPTION

1062

2007 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1062

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1062

House Industry, Business and Labor Committee

Check here for Conference Committee

Hearing Date: January 10, 2007

Recorder Job Number: 868

Committee Clerk Signature

Stephanie N. Thomas

Minutes:

Chair Keiser opened the hearing on HB 1062, per diem of State Banking Board and State Credit Union Board members, information and sharing agreements with other entities, the timeframe of examinations of financial institutions, and approval of interstate branches by state banks.

Tim Karsky, Commissioner, Department of Financial Institutions: In support of HB 1062. See written testimony #1.

Rep. Kasper: On the last part of your testimony, what if you make an approval, and then the board learns about it later and says if we had known about it we would not have approved it. What do you do then?

Tim: I guess your trusting judgment on the department and commissioner on any application at any issue that will receive public comments for a negative reason, and I don't think we've ever received that comment from the consumer. I can tell you that we would just send them to the State Banking Board, because I certainly wouldn't want to put the board or myself in that position.

Rep. Kasper: Is there a process that you go through when a bank requests or grants interstate approval? Is there a time period before you make the approval?

Tim: We follow the law. We still have to meet all the requirements about financial responsibility.

Rep. Keiser: It does seem to make some sense that if you deny an application that you would pay the bank and the structural will go back to the board. Doesn't it also make sense to make sure you maintain the integrity of that board, that anything that you would approve would be reviewed at the next regular meeting just to keep them in the loop by statute?

Tim: We would receive an application with automation we have a monthly bulletin that all anchors in real-estate get to see that application.

Rep. Keiser: I think we can give this a little bit of an out. We can put language that your approval must be confirmed at the next regular meeting of the board. That would give you a little window incase something comes up.

Tim: I don't have a problem with that.

Rep. Thorpe: In section 4, what is the significance of the numbers?

Tim: We're talking about the appeal process to give them 20 days.

Rep. Vigesaa: Could you explain the coordination on the examinations between your department and the FDIC? How those alternate venues work, and about this increase in interval, so as not to get them so close together.

Tim: We have a rating system that we rate all rating systems from 1-5, 1 the best, 5 the worst. We examine 1 and 2's less frequently, and they would have an agreement that we would examine those every 18 months.

Rep. Dosch: How often does the board meet?

Tim: The State Banking Board meets 6 times a year, every other month. The State Credit Union Board meets quarterly, and sometimes on one or two special meetings.

Rep. Dosch: If you're only meeting every other month, what requirement would be put on before we have to sign off on it? Does that cause unnecessary delays in the approval process as far as how all of that works?

Tim: No, but I think with some of these banks, because of confidentiality reasons, they don't always want everybody to know what's happening.

Rep. Dosch: Banks used to have to publish quarterly in the paper stating the condition that the requirements are down by the way side, what was the reasoning for getting rid of that?

Tim: Technology. You can go to the website, and find any quarterly statement back for 20 years now.

Rep. Kasper: I want to go back to the interstate, and the commissioner's approval. How long of a time period does the process go from when I start the application, to when it gets approved whether it's the boards blessing or with your blessing?

Tim: We receive an application; we probably would look at that application in 5 to 7 business days, and have it approved in ample amount of time. We could probably have that application approved in 12 to 14 days.

Rep. Kasper: During this 14 day period would I as a banker, generally speaking, have gone and found a location that I want to put my new bank in, or would wait for your approval to start finding a location ?

Tim: I've seen both ways. Usually when they enter into a lease, sometimes it's subject to regulatory approval, so they have an out if for some reason it was denied. Sometimes they wait until the approval.

Rep. Kasper: Let's say I found a location and I've entered into an agreement with the landowner to buy some land subject to the banking approval, what is the big rush if I haven't really started anything?

Tim: I'd say the normal situation is not a big rush. Sometimes we receive an application after a building has already been completed. They take the risk.

Rep. Keiser: What so members of other state boards do?

Tim: I did the research, and got an amount a lot higher than in here. Other board's amounts are all over the place. The medical board was up to 300 dollars, there's some that get only 50, some 80.

Rick Clayburgh, President CEO for ND Bankers Association: Our legislative committees have reviewed the bill, and are in support of all aspects of this bill. Regarding the pay for the State Banking Board, these are bankers that are taking time out of their day, 50 dollars certainly is not appropriate. I think 100 dollars is more sufficient, or even 125 dollars. Specific as well to the timeframe, it makes a lot of sense. It takes the burden off of our banks, but right now we are one of the most heavily regulated industries in the country. In the interstate branching, getting the approval by the action of the commissioner prior to it being finalized really is paramount to not making changes to the current law. Our legislative committee reviewed this understanding that the current law for interstate banking is it already allows the commissioner that authority. Our concern is to make sure that if a financial institution is expanding for moving that they are financially sound.

Rep. Keiser: Should there be a case where you approve an expansion, and something extremely negative comes up, you have all the authority to except those people back?

Tim: I don't know if I have the authority to shut a branch down, but certainly if I didn't follow the law somebody could sue me and say I didn't consider their particular needs or their financial stability.

Rep. Kasper: The board members compensation comes from the banking fees collected, not from general fund dollars?

Tim: Our department receives no general fund dollars at all.

Rep. Boe: When you move into the other state, do you have to keep within the process of permitting with that state also?

Tim: We now have home state to home state. When ND branches into Minnesota we handle the majority of that application, but when Minnesota branches into ND, they handle the majority of that application.

Rep. Thorpe: I recommend do pass.

Rep. Kasper: Second.

Roll call vote was taken. 13 Yeas, 0 Nays, 1 Absent, Carrier Rep. Kasper

Hearing Closed

FISCAL NOTE
 Requested by Legislative Council
 12/27/2006

Bill/Resolution No.: HB 1062

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures		\$6,200		\$12,400		\$12,400
Appropriations		\$5,200		\$6,200		

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Increases the Banking and Credit Union Board pay from \$50 to \$100 per meeting. The Banking Board meets 12 times and the Credit Union meets 8 times per biennium allowing one special meeting per year. No fiscal impact on the General Fund. Increases Specail Fund (242) expenditure by \$6,200.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

The increase in fees would be recovered in the banking and credit union annual assessment fees.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

N/A

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

This would increase the salary line item by \$6,200 for Board Pay. This would not affect any FTE positions.

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

The increase in Board pay was not included in the executive budget.

Name:	Joan M Becker	Agency:	DFI
Phone Number:	328-9958	Date Prepared:	01/02/2007

Date: 1-10-07
Roll Call Vote #: _____

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. AB 1062

House Industry Business & Labor Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do pass

Motion Made By Rep Thorpe Seconded By Rep. Kasper

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser	X		Rep. Amerman	X	
Vice Chairman Johnson	X		Rep. Boe	X	
Rep. Clark	X		Rep. Gruchalla	X	
Rep. Dietrich	X		Rep. Thorpe	X	
Rep. Dosch	X		Rep. Zaiser		
Rep. Kasper	X				
Rep. Nottestad	X				
Rep. Ruby	X				
Rep. Vigesaa	X				

Total Yes 13 No 0

Absent 1

Floor Assignment Rep. Kasper

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)
January 10, 2007 1:14 p.m.

Module No: HR-06-0403
Carrier: Kasper
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1062: Industry, Business and Labor Committee (Rep. Kelsner, Chairman)
recommends **DO PASS** (13 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING).
HB 1062 was placed on the Eleventh order on the calendar.

2007 SENATE INDUSTRY, BUSINESS AND LABOR

HB 1062

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. **HB 1062**

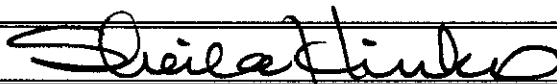
Senate Industry, Business and Labor Committee

Check here for Conference Committee

Hearing Date: **February 21, 2007**

Recorder Job Number: **3597**

Committee Clerk Signature



Changing per diem for Financial Institutions interstate branches

Tim Karsky – Commissioner Dept of Financial Institutions - In Favor

TESTIMONY # 1

Covered testimony

S Klein: You want to fun through Section 4 again, in the application process and how that actually would work?

Tim K: Let's say I have an application on my desk for State Bank of Fargo, and they want a branch of their bank into Minnesota and that would be an interstate branch application. They file the application with us and we do the complete, we publish it and then we have to wait for the board to meet to approve the application. If you would give that authority to me as the bill says, we would go ahead and publish the application and work it, and if nobody makes any comments or objects to that application, I can approve the application after 15 days.

S Klein: So well ahead of when the board meets?

Tim K: We have those timing issues, and now that we're trying to increase their fee, it's going to be a little more expensive to hold a special meeting, because we pay for special meetings, we're taking care of some of these other issues, we would not have to have those special meetings.

S Klein: So we can amend in there that if the \$50...

Tim K: They'll get the \$100 when they come for a regular special meeting and they really do put in a lot of time.

S Klein: Your work, you've seen issues, you've seen that you need to address in the interim?

Marilyn Foss – ND Bankers Association – In Favor

We feel the change is appropriate.

F? O?

CLOSE

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. **HB 1062 B**


Senate Industry, Business and Labor Committee

Check here for Conference Committee

Hearing Date: **February 21, 2007**

Recorder Job Number: **3600**

Committee Clerk Signature



Financial institutions interstate branches – per diem:

S Potter: What do we pay the people who go out and mediate between school boards and teachers? What do they get?

S Wanzek: I remember working on commodity, wheat commission and things like that, and I thought we standardized at \$100. I think it was \$75 but I'm not sure, did we up that up to legislative per diem.

S Heitkamp: We did two sessions ago, we started the "Come on in and make a case for your own." It started the Garrison Diversion came in number and a number of others come in, and so instead of keeping it standard like we had it, which was the right way to do it, we started going in and piecemeal it like this. The horse is out of the barn on it. You have to ask yourself "what's fair?" on it and almost every time, a new one has come in front of us, it's been \$100 that they've pleaded their case for. If you think about what most people are giving up to do it, \$100 bucks isn't very much.

Motion for a DO PASS by S Potter

Second by S Behm

Vote for DO PASS – 6-0-1 Passed

Carrier: Klein

Date: 2-21-07

Roll Call Vote: 1

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. HB 1062

Senate INDUSTRY BUSINESS & LABOR Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken NO PASS

Motion Made By Patter Seconded By Behm

Senators	Yes	No	Senators	Yes	No
Chairman Klein, Jerry	✓		Senator Behm, Arthur	✓	
Senator Hacker, Nick VC	✓		Senator Heitkamp, Joel	✓	
Senator Andrist, John	N		Senator Potter, Tracy	✓	
Senator Wanzek, Terry	✓				

Total Yes 6 No 0

Absent 1

Floor Assignment Klein

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1062: Industry, Business and Labor Committee (Sen. Klein, Chairman) recommends DO PASS and BE REREFERRED to the Appropriations Committee (6 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). HB 1062 was rereferred to the Appropriations Committee.

2007 SENATE APPROPRIATIONS

HB 1062

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1062

Senate Appropriations Committee

Check here for Conference Committee

Hearing Date: 03-05-07

Recorder Job Number: 4382

Committee Clerk Signature

Alicia DeZure

Minutes:

Chairman Holmberg opened the hearing on HB 1062 at 2:35 pm on March 5, 2007.

Tim Korsky, Commissioner of Department of Financial Institutions gave the committee an overview of the fiscal note, sharing the increase of pay to the board members to \$100.00 per meeting. There has not been an increase for many years.

Rick Clayburgh, North Dakota Bankers Association gave oral testimony in support of HB 1062.

Senator Bowman asked if all members of the board are bankers. He was informed yes, they oversee all the actions and they are paid by the members.

Chairman Holmberg asked if there was further testimony. Hearing none, he asked the committee's position considering this bill.

Senator Krebsbach moved a DO PASS, **Senator Lindaas** seconded. A roll call vote was taken resulting in 11 yeas, 0 nays, and 3 absent. The motion carried. **Senator Klein** from IBL will carry the bill.

The hearing on HB 1062 closed.

Date: 2-5-07
Roll Call Vote #:

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1062

Senate Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken HB-1062 to pass

Motion Made By Krebsbach Seconded By Lindaas

Senators	Yes	No	Senators	Yes	No
Chairman Ray Holmberg	✓		Senator Aaron Krauter	✓	
Vice Chairman Bill Bowman	✓		Senator Elroy N. Lindaas	✓	
Vice Chairman Tony Grindberg	✓		Senator Tim Mathern		
Senator Randel Christmann			Senator Larry J. Robinson	✓	
Senator Tom Fischer	✓		Senator Tom Seymour	✓	
Senator Ralph L. Kilzer	✓		Senator Harvey Tallackson		
Senator Karen K. Krebsbach	✓				
Senator Rich Wardner	✓				

Total (Yes) 11 No 0

Absent 3

Floor Assignment Back to IBL Committee *Sen Klein*

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)
March 5, 2007 3:27 p.m.

Module No: SR-41-4481
Carrier: Klein
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1062: Appropriations Committee (Sen. Holmberg, Chairman) recommends DO PASS
(11 YEAS, 0 NAYS, 3 ABSENT AND NOT VOTING). HB 1062 was placed on the
Fourteenth order on the calendar.

2007 TESTIMONY

HB 1062

1-4-2007

TESTIMONY FOR HOUSE BILL NO. 1062

House Industry, Business and Labor Committee

Testimony of Timothy J. Karsky, Commissioner, Department of Financial Institutions in support of House Bill No. 1062

Chairman Keiser and members of the House Industry, Business and Labor Committee, my name is Tim Karsky, Commissioner for the North Dakota Department of Financial Institutions. I am here today to testify and urge your support in favor of House Bill No. 1062.

Mr. Chairman and members of the Committee, House Bill No. 1062 contains four amendments to four sections of Title 6 of the North Dakota Century Code.

In Section 1 of the Bill, the amendment pertains to the amount of per diem that State Banking Board members receive for attending State Banking Board meetings. As you can see, the per diem will increase from \$50 to \$100, if approved by the Legislature. The State Banking Board has not received an increase in per diem since at least 1981. Due to the amount of time each member takes to prepare for the meetings and to attend these meetings, the increase seems justified.

Section 2 of the Bill provides for an amendment for the Commissioner and the Department to enter into Sharing Agreements with any other federal

government agency, such as FINCEN, which will grant the Department access to their data base. Furthermore, the Department has a need to share information with other regulatory trade associations such as the Money Transmitters Regulatory Association and the Mortgage Regulator Trade Association.

Section 3 amends the amount of time the Department has to examine state-chartered financial institutions, and would increase this interval from 30 to 36 months. The Department alternates examinations with the Federal Deposit Insurance Corporation (FDIC) and at times the current 30-month timeframe requires an additional examination of an institution when one has been completed within the last 12 months. The Department always has the option if we feel an examination needs to be conducted of a problem institution to go in more frequently and conduct those examinations. We feel this amendment will help the Department in scheduling examinations and reduce the burden on banks from unnecessary examinations.

Section 4 contains an amendment to North Dakota Century Code Section 6-08.4-03 and grants power to the Commissioner to approve an interstate branch application. Currently, the State Banking Board must act on these applications and due to the scheduling of these meetings some applications take a considerable amount of time to get approved. As you

will recall at the last Legislative Session, the Legislature gave the Commissioner the authority to approve in state applications for in state branches, and this has worked quite well in the last two years. This amendment will allow an appeal to the State Banking Board if the Commissioner denies an application. It has been the current practice if an application were to be denied by the Commissioner, that no action would be taken by myself, but would be presented to the State Banking Board. Again, we feel this as a way to assist banks in a more timely fashion in approving applications.

Mr. Chairman and members of the Committee, I would be happy to answer any questions that you have at this time.

Thank you.

2-21-2007

TESTIMONY FOR HOUSE BILL NO. 1062

Senate Industry, Business and Labor Committee

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