

2013 SENATE INDUSTRY, BUSINESS, AND LABOR

SB 2136

2013 SENATE STANDING COMMITTEE MINUTES

Senate Industry, Business and Labor Committee
Roosevelt Park Room, State Capitol

SB 2136
January 21, 2013
Job Number 17415

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Relating to interest rates and late fees

Minutes:

No Written Testimony

Chairman Klein: Opened the hearing.

Rick Clayburg, President and CEO of the North Dakota Bankers Association: Said they are here today in support of the bill and that it was sponsored on behalf of the North Dakota Banker's Association. He discussed the bill and what it does.

Chairman Klein: Said in essence they have a negotiated late fee that would not be in the fine print, which is normally on the bottom. This would have to be disclosed?

Rick Clayburg: Said yes, what they are doing is moving out of statute what the statutory late fee is and it would be in the loan documents and specifically highlighted in the federal requirements. The consumer financial protection bureau is now stating how that must be disclosed to the borrower. He said they are asking for this to be a matter of contract like all other provisions of the loan are.

Senator Andrist: Said if he was to understand this, there would be a place to initial in the contract, specifically for this provision, so that we would know that they were told.

Rick Clayburg: Said they have an expert that could answer that question.

Senator Murphy: Asked what percentage of these lending institutions in North Dakota is state chartered.

Rick Clayburg: Said he believes it is 75 state chartered banks and 23, state chartered credit unions doing business in North Dakota. He said speaking in behalf of banks; they have roughly 90 banks that are chartered and doing business in North Dakota.

Senator Sinner: Asked if this chapter of the code applies to every one making loans not just banks and credit unions.

Rick Clayburg: Said this is on the section of code that deals with lending money and so it applies to most people lending money with some exceptions. Anything that is Agricultural or anything home related is not part of it and Farm Credit Services is not covered under this.

Chairman Klein: Said you would have 75 banks that would be able to have a contract and 15 wouldn't.

Rick Clayburg: Said the 15 nationally chartered banks have to follow and the state chartered banks, if we change this they would have to follow the federal disclosures. There are requirements on how a borrower is treated when they go into a financial institution. What this is saying is that those state and federal chartered institutions will treat their customers the same way and those institutions will be treated the same way under the federal banking laws.

Senator Sorvaag: Asked if the federally chartered banks can charge whatever they want now.

Rick Clayburg: Said based on how they interpret the statutes and the preemption laws on federal banking that is correct.

Deb Schouweiler, People's State Bank of Fairmount North Dakota: She said they are competing with credit card companies that charge thirty five dollars. She went on to say if someone has to decide who they are going to pay they can pay the credit card companies first and then later and pay them fifteen dollars or pay them first and the credit card companies second and pay thirty five dollars. They are looking for a level playing field so they are not the last ones paid. She said it isn't about the amount of money they will make because it would not be a lot but doesn't feel fifteen dollars is a lot of incentive anymore. She said for fifteen dollars they don't have to pay a lot of attention. They already have a ten day grace period to pay it without a penalty.

Senator Sorvaag: Said he was concerned that they are opening it up with no limitations. He is worried about a younger person not paying attention to the loan and will just initial whatever. He asked how this could be regulated.

Deb Schouweiler: Said she hasn't seen a lot of abuse of practices within the North Dakota community banks. She said it is only a percentage of the payment amount. The consumer protection bureau would come in if there was an abuse of practices.

Senator Sinner: Asked if Deb had any idea how many consumer loans her bank made last year.

Deb Schouweiler: Said not very many.

Senator Sinner: Said that is exactly his point. He went on to say that most of the auto loans that are picked up today are what they call dealer paper, the dealer writes the paper for the loan. He said ninety percent of the car loans written in North Dakota are going through a national bank and they aren't subject to any limits. He said this isn't going to affect very many people because there are very few banks that are writing consumer loans today.

Deb Schouweiler: Said that a lot of banks don't want to write the small loans, instead they get a ready reserve loan and pay eighteen percent or it goes on their credit card.

Senator Andrist: Said his concerns have been pretty well answered and it is not what the fee is but his concern is that the customer be made aware of it and not in the fine print somewhere. Any fees should be signed off on.

Deb Schouweiler: Said she isn't sure about the signing off but they are shown.

Greg Tschider, Credit Union Association of the Dakotas: Said most of the consumer loans that are done in North Dakota are done at the credit unions. This bill will impact them. All of the loan documentation that they do, late payment penalties are in bold on the front page but they are not required to initial it. He said he would request that the committee adopt the bill as typed.

Senator Sinner: Said his concern is the same as Senator Andrist. He said he isn't concerned about the amount but that the consumer is making an informed choice. Asked if he feels they are being properly informed and know that this is the late fee.

Greg Tschider: Said that he has watched too many people who just want the money and don't even care what the interest is going to be. He said they have sponsored and supported bills where there would be classes in high school where they teach financial literacy to people. He would have no problem if they decided this part of the contract had to be initialed they could amend the bill to provide that. The consumer is entitled to know.

Chairman Klein: Said that they never had to do that, was there a time?

Greg Tschider: No.

Rick Clayburg: Said he wanted to comment on the issue of initialing. He also wanted them to know that the amount would be the same for all the consumers. He said this would only apply to state chartered banks. He said when you take a mortgage out you have to initial every page and doesn't think everyone knows what they initial.

Bob Entringer, Commissioner of the Department of Financial Institutions: Said he doesn't see any issues with this bill.

Jim Goetz, Chairman and CEO of the Security First Bank of North Dakota: Said he is in support of the bill.

Chairman Klein: Closed the hearing.

Senator Andrist: Motioned for a Do Pass.

Senator Sinner: Seconded the motion.

Roll Call Vote Taken: Yes - 7 No - 0

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Absent: 0

Floor Assignment: Senator Sinner

Date: 1/21
 Roll Call Vote #: 1

2013 SENATE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 2136

Senate Industry, Business and Labor Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider

Motion Made By Senator Andrist Seconded By Senator Sinner

Senators	Yes	No	Senator	Yes	No
Chairman Klein	✓		Senator Murphy	✓	
V. Chair. Laffen	✓		Senator Sinner	✓	
Senator Andrist	✓				
Senator Unruh	✓				
Senator Sorvaag	✓				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Senator Sinner

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

REPORT OF STANDING COMMITTEE

SB 2136: Industry, Business and Labor Committee (Sen. Klein, Chairman) recommends **DO PASS** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2136 was placed on the Eleventh order on the calendar.

2013 HOUSE INDUSTRY, BUSINESS AND LABOR

SB 2136

2013 HOUSE STANDING COMMITTEE MINUTES

House Industry, Business and Labor Committee
Peace Garden Room, State Capitol

SB 2136
March 11, 2013
Job 19718

Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

Relating to interest rates and late fees

Minutes:

No attachments

Hearing opened.

Rick Clayburgh, president and CEO of the North Dakota Bankers Association: Provided background on the legislation. Outlined purpose of SB 2136.

Support:

2:10 **Greg Tschider, Credit Union Association of the Dakotas:** Spoke in favor of bill. Bill will bring uniformity between federally chartered financial institutions and state chartered institutions.

2:33 **Chairman Keiser:** What parts of this bill make it uniform?

2:47 **Greg Tschider:** Summarized the intent of the bill.

3:15 **Chairman Keiser:** Asked for a specific example.

3:22 **Greg Tschider:** Provided example of differences depending on charter under current law.

4:45 **Jack McDonald, Independent Community Banks of North Dakota:** We join with the other financial institutions and support the bill for the reasons they stated. It brings an element of fairness and uniformity to the system.

Opposition:

Neutral:

Motion for a Do Pass recommendation made by **Representative Becker** and seconded by **Representative Boschee**.

House Industry, Business and Labor Committee
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Roll call vote on motion for a do pass. Motion carries.

Yes - 15

No - 0

Absent - 0

Carrier: Representative Becker

6:30 Chairman Keiser: Update on other bills

Date: 3-11-2013
 Roll Call Vote #: 1

**2013 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 2136**

House Industry, Business, and Labor Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider

Motion Made By Becker Seconded By Boschee

Representatives	Yes	No	Representatives	Yes	No
Chairman George Keiser	✓		Rep. Bill Amerman	✓	
Vice Chairman Gary Sukut	✓		Rep. Joshua Boschee	✓	
Rep. Thomas Beadle	✓		Rep. Edmund Gruchalla	✓	
Rep. Rick Becker	✓		Rep. Marvin Nelson	✓	
Rep. Robert Frantsvog	✓				
Rep. Nancy Johnson	✓				
Rep. Jim Kasper	✓				
Rep. Curtiss Kreun	✓				
Rep. Scott Louser	✓				
Rep. Dan Ruby	✓				
Rep. Don Vigesaa	✓				

Total Yes 15 No 0

Absent 0

Floor Assignment Becker

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

REPORT OF STANDING COMMITTEE

SB 2136: Industry, Business and Labor Committee (Rep. Keiser, Chairman)
recommends **DO PASS** (15 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING).
SB 2136 was placed on the Fourteenth order on the calendar.