SFA BILL ANALYSIS

Senate Fiscal Agency • Lansing, Michigan 48909 • (517) 373-5383

Senate Bill 258 (as reported with amendment)
Sponsor: Senator Dick Posthumus
Committee: Commerce and Technology
Date Completed: 5-12-87

RATIONALE

In an effort to assist Michigan banks in expanding services and enhancing competitiveness, Public Act 177 of 1985 revised the Banking Code to permit reciprocal interstate banking, simplify procedures for the consolidation and acquisition of banks, authorize Michigan banks to make venture capital investments, and grant State banks various powers and privileges accorded to national banks. Some people contend, however, that although the Act was beneficial to Michigan banks and Michigan-based national banks, it left savings and loan associations at a competitive disadvantage. In addition, Federally-chartered associations are permitted to provide some services (such as brokerage services and real estate investment services) that State-chartered associations currently are not authorized to offer, and some (such as reciprocal interstate activity) that require the approval of the state in which the association's principal office is located. These people argue that the powers granted to banks and Federally-chartered associations also should be granted to State-chartered savings and loan associations in the name of fairness, parity, and competitiveness.

CONTENT

Senate Bill 258 would amend the Savings and Loan Act to do all of the following:

- **Include "domestic savings bank" in the definition of "association".**
- **Permit associations to insure deposits with the Federal Deposit Insurance Corporation.**
- **Expand the categories of assets in which an association can invest its funds.**
- **Allow an association to invest in a "service corporation" that engages in specified activities.**
- **Permit an association or its service corporation to provide brokerage services.**
- **Allow an association to become an owner or lessor of personal property.**
- **Change the general reserve requirements of an association.**
- **Permit mergers, sales, and purchases of associations.**
- **Provide procedures for the conversion of a stock association into a bank and vice-versa.**
- **Establish terms for the consolidation of new and existing associations.**
- **Provide reciprocal terms for the interstate acquisition of an association or holding company and for the interstate operation of association branch offices.**
- **Extend the powers of the "supervisor" (i.e., the Commissioner of the Financial Institutions Bureau) pertaining to alleged violations or unsafe and unsound practices.**
- **Alter the fee structure for examinations of associations and specify that the revenue gained from fees would be credited to the Financial Institutions Bureau.**
- **Repeal a section of the Act that prohibits an association from making a statement that the association's accounts are insured or guaranteed, unless they are insured by the Federal Savings and Loan Insurance Corporation. (MCL 491.630)**

Definitions

The bill would include "domestic savings bank" within the definition of "association". "Domestic savings bank" would be defined as "a corporate organization that transacts business as a savings bank under articles of association, articles of incorporation, or other charter issued by this state". The bill specifies that references to an association or a domestic savings and loan association in any other Michigan law would be considered a reference to a domestic savings bank, unless the context indicated otherwise.

Deposit Insurance

The Act requires savings and loan associations to present evidence on applications to organize, plans of merger, and plans of conversion (mutual-to-stock and stock-to-mutual) that the association's deposits and other withdrawable accounts will be insured with FSLIC. The bill would allow insurance coverage with either FSLIC or FDIC, and would extend the evidentiary requirement to plans of conversion of banks to associations.

Investment Categories

Under the Act, an association may invest its funds, subject to rules promulgated by the supervisor, in obligations or accounts specified in the Act. The bill would add the following to permitted investments:

- Stock, bonds, or other obligations of a business and industrial development corporation (BIDCO) licensed and supervised by this State.
- A finance subsidiary owned by one or more associations whose sole purpose is to issue debt or equity securities of the type that an association is authorized to issue directly, or would be if it were a stock association, and to remit the net proceeds to the association.
- Small business investment companies formed pursuant to the Federal Small Business Investment Act.
- Any class of voting securities of a bank organized under Chapter 54 of the Banking Code or the National Bank Act, and engaged exclusively in providing services to depository institutions or their officers, directors, and employees; or of a bank holding company that owns or controls such a bank and whose stock is owned by depository institutions as defined in Chapter 54 of the Banking Code and whose subsidiaries are engaged exclusively in serving depository institutions or their officers, directors, and employees. An investing association would be prohibited from holding securities of a bank or bank holding company amounting to more than 20% of the association's net worth.

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In addition, the bill would allow an association, subject to the Act's limitations, to make venture capital investments or to invest in equity securities of a professional investor, a majority of whose assets consist of venture capital investments. If an association did make such investments, no officer or director of the association could hold an equity position in the financed company and the association could own only less than 50% of the company. Such an investment in any one entity could not exceed 5% of the net worth of the association, and all such investments combined could not exceed 10% of the association's net worth. The bill specifies that this provision would not limit an association's authority to exercise lending or investment powers otherwise permitted by law. The bill would authorize the supervisor to approve investments in other categories of assets, which he or she determined were consistent with the Act's purposes, and such investments would be subject to limitations that the supervisor determined appropriate.

(A "professional investor" would be defined in the bill as "an investment company registered under the [Federal] Investment Company Act of 1940, . . . a pension or profit sharing trust or other institutional buyer, or a person, partnership, or other entity a majority of whose resources is dedicated to investing in equity or debt securities and whose net worth exceeds $500,000.00 prior to the association's investment". "Venture capital" would mean "equity financing that is provided for starting up or expanding a company, or related purposes" but would not include "the purchase of a share of stock in a company if, on the date on which the share of stock is purchased, the company has securities outstanding that are registered on a national securities exchange" or are required to be registered, or would be required to be registered if not for exemptions under the Federal Securities Exchange Act.)

Service Corporations

The bill would permit an association to invest in "service corporations". The Act defines "service corporation" as "a corporation organized under the laws of a state which engages in activities determined by the supervisor by order or rule to be incidental to the conduct of a savings and loan business . . . or activities which further or facilitate the corporate purposes of an association, or which furnishes services to an association or subsidiaries of an association, the voting stock of which is owned directly or indirectly by 1 or more associations or federal associations". The bill would alter the definition to mean a corporation organized under the laws of a state that engages in activities specified in the bill. Under the Act, an association's investment in a service corporation cannot exceed 3% of the association's total assets and is subject to "limitations and approvals established by rules promulgated by the supervisor". The bill would raise the maximum investment level to 5% of the association's total assets unless the investment were approved by the supervisor.

Subject to limitations established by rule or order of the supervisor, associations could invest in service corporations that engaged in originating, investing in, selling, purchasing, participating in, servicing, or otherwise dealing in loans authorized under the Act (including "loans for other than primarily personal, family, or household purposes", which would be added by the bill), and in commercial loans and participations in commercial loans. Service corporations also would include corporations that make investments in any of the following:

- Assets as authorized under the Act, including those added by the bill (discussed above under "Investment Categories"), and in securities and in corporations or partnerships authorized by Title IX of the Federal Housing and Urban Development Act.
- Savings accounts in an insured institution that also is a stockholder of the service corporation. The service corporation could receive no consideration other than current market rate interest for opening or maintaining the account.
- The capital stock or the account of an interim association, chartered exclusively to become a constituent in a merger resulting in the acquisition of a stock association by a holding company.
- Tax exempt bonds of state governments or their political subdivisions, when used to finance residential units and issued pursuant to the Internal Revenue Code; and tax exempt obligations of public housing agencies, when used to finance housing projects with rental assistance subsidies pursuant to the United States Housing Act.
- The capital of a small business investment company licensed under Title III of the Small Business Investment Act, by the U.S. Small Business Administration to invest in small businesses engaged exclusively in specified activities.
- Financial options.
- Investments specified in the rules and regulations for Federal Savings and Loan Insurance Corporation-insured institutions.

Service corporations in which associations could invest also would include those corporations providing the following services, primarily for financial institutions:

- Specific activities authorized under the Act pertaining to insurance and retirement benefits for employees, mortgages and land contracts, acting as escrow agents or fiduciaries for holding money in trust.
- Credit analysis, appraising, construction loan inspection, abstracting, research studies, and surveys.
- Developing and operating storage facilities for microfilm or other duplicate records.
- Advertising, brokerage, and other services to procure and retain savings accounts and loans, but not pooling savings accounts or soliciting or promoting pooled savings accounts.
- Liquidity management investment; advisory and consulting services; and establishing, owning, leasing, operating, or maintaining remote service units.
- Purchase of office supplies, furniture, and equipment.

In addition, service corporations could be corporations that provide real estate services such as maintaining and managing real estate; providing home ownership and financial counseling, relocation services, and real estate brokerage services; and acquiring real estate for prompt development or subdivision, for construction of improvements, for resale or leasing to others for the construction, or for use as manufactured home sites. A service corporation also could provide any of the following services:

- Preparing local, State, and Federal tax returns for individuals or organizations that are not corporations operated for profit.
- Fiduciary services or issuing notes, bonds, debentures, letters of credit, or other obligations or securities.
- Engaging in, or participating in, credit card operations.
- Acquiring personal property or obtaining an assignment of a lessor's interest in a lease of the property.
- Providing data processing services to the extent permitted to the parent association pursuant to rules and regulations for Federal associations, or providing brokerage services for the offer, sale, or purchase of securities or commodity contracts.
- Engaging in activities "reasonably incident" to those listed in the bill.
- Other activities as the supervisor determined to be appropriate.

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In addition, the bill specifies that an association or its service corporation could provide brokerage services for the offer, sale, or purchase of securities or commodity contracts. These types of transactions would be subject to applicable State or Federal law, and the Commissioner of the Financial Institutions Bureau could promulgate rules to clarify and enforce this provision. ("Securities" would mean that term as defined in the Uniform Securities Act.)

Personal Property

The bill specifies that an association could become the owner or lessor of personal property acquired by the association on the "specific request and for the use of a customer of the association". The association could incur obligations it considered necessary to acquire such personal property. Any proceeds from a lease transaction would be considered rent, not interest. Personal property of an association that was leased to and used by a private individual, association, or corporation in connection with a business conducted for profit would not be exempt from general property taxes, unless otherwise provided by law. The property would be subject to taxation as though the lessee or user were the owner. The taxes would not become a lien against the personal property, however. The taxes would be considered a debt due from the lessee or user, not the association, to the local unit of government.

General Reserve/Net Worth

The Act requires associations to establish and maintain a general reserve account for absorbing losses, which is established from at least 5% of the association's annual net earnings before interest on savings accounts, until the general reserves reaches 12% of the association's savings liability. If the association is required by the Federal Savings and Loan Insurance Corporation (FSLIC) to maintain a reserve for absorbing losses, that reserve is considered part of the general reserve account, and meeting the FSLIC net worth requirement is considered meeting the Act's general reserve requirements. The bill would delete the Act's general reserve requirements and, instead, would require each association to "maintain an adequate net worth structure appropriate for the conduct of its business and the protection of its depositors". The net worth adequacy would be analyzed and appraised, as determined by the supervisor, "in relation to the character of its management, the liquidity of assets, history of earnings and retention thereof, the potential volatility of the deposit structure, and the association's capacity to furnish the broadest service to the public".

Mergers, Sales, and Purchases

The Act permits mergers of one or more mutual or stock associations into an existing mutual or stock association or Federal mutual or stock association. The bill would alter this provision to permit an association or bank to merge with or into, sell its assets and transfer its liabilities to, or purchase the assets and assume the liabilities of one or more Federal or domestic associations or Federal or domestic savings banks or banks. The Act's requirements for a plan of merger would be expanded to apply to a plan of merger, sale, or purchase. A plan of merger, sale, or purchase that related to a bank would have to be adopted in the manner provided in the Banking Code. Where the Act requires evidence of insurance by the Federal Savings and Loan Insurance Corporation, the bill would accept evidence of insurance by the Federal Deposit Insurance Corporation. The bill would require that a copy of the certificate of merger, sale, or purchase be sent to the constituent associations, and that an officer of the resulting association provide the supervisor with an affidavit that evidence of the merger, sale, or purchase had been filed with the register of deeds in the county where an office of the resulting association was located. Banks that were a party to such a transaction, would have to furnish a certified copy of the consent or approval of the appropriate regulatory agency, if consent or approval were required by law.

Conversion of Stock Associations and Banks

The bill would allow a stock association to convert to a bank, and a bank to convert to a stock association. Conversions of stock associations into banks would have to be approved by the association's members, by the supervisor, and by all Federal supervisory authorities that would have jurisdiction over the resulting bank. The converting association would be required to file a copy of the charter of the resulting national bank with the supervisor. The charter would have to be certified by the Comptroller of Currency, if applicable.

A plan of conversion would have to be submitted for consideration by the association's members at a meeting called for that purpose, and for which notice was given, stating the purposes of the meeting and including a full and accurate description of the plan of conversion. The notice also would have to state the time, date, and place of the meeting and that any proxy for the meeting solicited by or given to a designee of the association would be revocable by the member. The notice would have to be given at least 20 days before the meeting to voting members, to the supervisor, and to any Federal supervisory authority that would have jurisdiction over the existing or proposed association or bank. Approval by the members would require an affirmative vote of members holding more than 50% of the issued and outstanding voting stock of the association.

Upon approval of conversion, the converting association would cease to be subject to the Act and to the authority of the supervisor. The resulting bank would have to file a certificate attesting to the fact of conversion in the office of the register of deeds for the county in which the bank's principal office was located.

The bill also would allow conversion of banks to associations. These transactions would be subject to approval by any Federal regulatory authorities having jurisdiction over the bank and by the supervisor. A converting bank would have to file with the supervisor evidence of compliance with Federal laws and regulations governing the conversion. After approval, the resulting association would have to file a certificate attesting to the fact of conversion with the office of the register of deeds for the county in which the association's principal office was located.

Upon approval of conversion, the directors of the resulting association would have to execute and file articles of incorporation, adopt bylaws, and proceed to comply with conditions specified in the supervisor's approval of conversion. Compliance would include evidence of insurance of deposits and other withdrawable accounts by the Federal Savings and Loan Insurance Corporation or the Federal Deposit Insurance Corporation. Upon the filing of the articles, bylaws, and evidence of compliance, the supervisor would be required to return one certified copy of the articles of incorporation to the association and to issue a certificate of charter and a certificate of authority to commence operations, indicating the effective date of the conversion.

Consolidation of New and Existing Associations

The bill would allow the organization of an association intending to have its principal office in the same city or village as the principal office of an existing association. The new association would be exempt from the Act's application and approval requirements, if it were organized for the sole purpose of effecting a consolidation with an existing association, and if a savings and loan

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holding company were to become the owner of all of the outstanding voting shares of the resulting association. The new association and the existing association could consolidate under the charter of either association and the agreement of consolidation could provide that shares of either or both the consolidating associating associations could be converted into shares or other securities of the savings and loan holding company, instead of being converted into shares of the resulting association.

A dissenting shareholder (i.e., a shareholder of an existing association, consolidated under the bill, that either voted against the consolidation or gave notice in writing, at or prior to the meeting called to consider the agreement of consolidation, of his or her dissent from the consolidation) would be entitled to receive, in cash, the fair market value of all the shares of the existing association held by that shareholder. To receive the reimbursement, a shareholder would have to make a written request to the resulting association within 30 days after the date of the consolidation and, at the time of the submission of the written request, would have to surrender his or her stock certificates. The dissenting shareholder would cease to have any other rights of a shareholder, and a request for reimbursement could not be withdrawn except with the written consent of the resulting association.

"Fair market value" of shares surrendered would be determined, as of the date on which the agreement of consolidation was adopted by the existing association, by a qualified and independent appraiser selected by the supervisor. The appraiser would have to file a written report of the appraisal with the supervisor, and the supervisor would have to forward copies to all interested parties. The valuation determined by the appraiser would be final and binding on all parties. The resulting association would have to pay each dissenting shareholder within 30 days following the receipt of the written report of the appraiser. The fees and expenses of the appraisal would have to be paid by the resulting association. The consolidation agreement would have to specify the method of disposing of surrendered shares.

Interstate Acquisition

The bill would allow an out-of-state association or holding company to charter or acquire Michigan associations or holding companies and out-of-state associations to open or acquire branch offices, provided that all of the following conditions, to the extent applicable, were met:

- The supervisor determined that the laws of the state in which the out-of-state association or out-of-state holding company was located authorize reciprocal action by a Michigan association or holding company, under conditions that were not unduly restrictive.
- The supervisor determined that an acquisition would not restrict the powers or privileges of any savings association acquired in that state.
- In the case of an out-of-state association opening a branch office, the association submitted an application which was approved by the supervisor. (The supervisor would have to treat such an application in the same manner as he or she would treat an application of a domestic association.)
- In the case of one or more out-of-state associations merging to form a domestic association, the merging parties followed the procedures specified in the bill. (The supervisor would have to treat such a plan of merger in the same manner as he or she would treat a plan of merger involving only Michigan associations.)
- The supervisor determined that the proposed action was not likely to impair the safety and soundness of any domestic association.
- The supervisor determined that the application complied with the bill's application requirements.

An out-of-state association or holding company seeking to acquire Michigan associations or holding companies would have to file an application with the supervisor, which would be in a form and contain the information considered necessary by the supervisor. If all of the applicable conditions specified in the bill were met, the supervisor would have to approve the application. If future Federal legislation or regulations required an approval by a State official in addition to any approvals required under the bill, the supervisor would be authorized to grant or deny such approval.

The bill also would allow a Michigan association or holding company to charter or acquire savings associations, or in the case of a Michigan association, to open or acquire branch offices, in any state outside of Michigan. The Michigan association or holding company would have to file an application with the supervisor, who would have to approve the application if the bill's application requirements were met. The supervisor's determinations of compliance with application requirements would have to be made within 60 days after receipt of the application. The bill specifies that interstate actions of associations or holding companies would not affect the powers or privileges of an acquired association and that nothing in this provision of the bill could be "construed as impairing or affecting the authority of a holding company that is located in this state and is not controlled by an out-of-state holding company to acquire control of a Michigan association".

If, according to Federal law, an association or holding company did not need to obtain approval of the supervisor for interstate activities, the bill would require the association or holding company to furnish the supervisor with a copy of any application filed with a Federal agency. The supervisor could submit comments on the application to the appropriate Federal agency within 30 days.

The bill specifies the language that would have to be contained in an agreement, that had to be submitted, in connection with an application filed by an association or holding company, for approval of interstate activities. Deviations from the form of the agreement could be made only by administrative rule. Rules promulgated could not add to, or delete any of, the substantive provisions provided in the bill.

In considering an application, the supervisor would have to consider the composite record of the association or holding company in meeting the credit needs of the communities in which they were located, including low and moderate income neighborhoods. In making such an assessment, the supervisor would have to consider the factors considered by appropriate Federal financial supervisory agencies and a copy of the most recent assessment conducted by the Federal agency. The supervisor's objectives would have to include minimizing the administrative burdens of holding companies and associations, and he or she could seek copies of relevant information in the possession of a Federal agency that could bear upon the record of the applicant or its subsidiaries in meeting the credit needs of their entire communities. The supervisor would not be authorized to make an on-site examination of State-chartered association for the purpose of assessing the record of the association, however.

If an out-of-state lender charged a rate of interest on a consumer loan in excess of the rate permitted by Michigan laws, or otherwise violated a provision of Michigan laws relating to that type of consumer loan, the lender's security interest would not be enforceable unless the lender showed by a preponderance of evidence that the violation was not intentional and resulted from a bona fide error.

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If another state enacted legislation permitting a Michigan association or holding company to charter or acquire associations or holding companies located in that state, and a transaction was prevented by a determination that Michigan law did not satisfy the reciprocity standard of that state, the supervisor would have to take actions to encourage action for a positive determination in that state with respect to reciprocity with Michigan. The supervisor also would have to notify promptly the Clerk of the House of Representatives and the Secretary of the Senate of any negative determination by another state with respect to reciprocity.

Powers of the Supervisor

The Act authorizes the supervisor to issue a notice of charges and to schedule a hearing to determine if an association should be ordered to cease and desist from the conduct if he or she has "reasonable cause" to believe that the association has violated or is about to violate a law or rule. The bill would expand this power to "reasonable cause to believe that an association, or any director, officer, employee, agent, or other person participating in the conduct of the affairs of the association is engaging, has engaged or is about to engage in an unsafe or unsound practice in conducting the business of the association, or has violated, is about to violate, or is violating a law, rule, unsafe or unsound practices" [sic].

Examinations

The Act specifies that business transacted in Michigan by foreign associations is subject to the same examinations as domestic associations. The bill provides that all money received from examination fees would be paid into the Treasury and credited to the Financial Institutions Bureau for its operation. (Fees currently are paid into the State's general fund.) The bill also specifies that examinations of foreign associations would have to be coordinated with the examinations conducted by other states or Federal supervisory authorities in order to avoid duplication.

For associations in existence on June 1, 1987, the bill would credit fees for examinations to the Financial Institutions Bureau, rather than to the State's general fund, but would leave the fee schedule intact. Associations that came into existence after June 1, 1987, would be subject to the following examination fees:

- For examining, filing, and acting upon an application to organize an association, $2,500 plus $30 per hour for each hour greater than 60 hours processing time per application. (The existing fee structure imposes a $1,500 fee.)
- For examining, filing, and acting upon an application to establish a new branch office or to relocate an existing principal or branch office, $500. (The existing fee is $200.)
- For examining, filing, and acting upon an application to establish or relocate an agency or other facility for the transaction of business, $30 per hour of processing time. (The current fee is $100.)
- In making the annual examination required by the Act, a fee of not less than 7-1/2 cents nor more than 25 cents, as determined by the supervisor, for each $1,000 of the gross amount of the assets of the association. The fee would be not less than $1,000, and the supervisor could assess a supplementary fee to an association if the association's records necessitated examination over and above normal procedures. The supplementary fee would be based on the excess time over and above normal examination time spent on examining the association, but the total of the supplementary fee and the normal fee could not exceed 25 cents for each $1,000 of the association's assets. If an association paid a fee and no examination was conducted that calendar year, the association would receive a credit toward succeeding examination fees, and any credit would have to be refunded at the time no further examinations would be made. (The current fee is "a fee sufficient to meet the field expenses of the staff personnel of the supervisor actually incurred in the course of the examination, but not less than $300.00".)
- For examining, filing, and acting upon an application for approval to merge, consolidate, convert its charter, convert its capital structure, or dissolve, $575 per institution, plus $30 per hour examination fee. (The current fee is $200.)
- For examining, filing, and certifying articles of incorporation, bylaws, or any amendment to articles of incorporation or bylaws, $200. (The current fee is $15.)
- For filing and certifying an annual or special report required by law, $30. (The current fee is $5.)
- For examining, filing, and acting upon an application for the establishment of a trust department or approval of a service corporation, $775. (There is no current fee.)

Foreign associations and Federal associations with principal offices in Michigan also would be required to pay increased fees under the bill, and the fees would be credited to the Financial Institutions Bureau, rather than to the State's general fund. Federal associations with principal offices located in Michigan would be required to pay the following fees:

- For examining, filing, and acting upon an application to convert to an association, $575 plus $30 per hour examination fee. (The current fee is $200.)
- For filing or certifying an annual or special report required by law, $30. (The current fee is $5.)

Foreign associations wishing to transact business in Michigan would have to pay the following fees:

- For examining, filing, and acting upon an application for a certificate of authority to transact business or any renewal, $2,500 plus $30 per hour for each hour greater than 60 hours processing time per application. (The current fee is $1,500.)
- For examining and filing an amendment to the foreign association's articles of incorporation, charter, or bylaws, $200. (The current fee is $15.)
- For examining and filing an annual or special report required by law, $30. (The current fee is $5.)
- For examining and filing a certificate evidencing corporate action permitted under the law of the jurisdiction of incorporation of the foreign association, $30. (The current fee is $10.)

All types of associations would have to pay a $30 fee (currently $10) for examining, filing, and certifying a document evidencing corporate status or action by an association; and a $30 fee (currently $10) for certifying or furnishing copies of the files and records pertaining to an association. Reasonable fees would have to be determined by the supervisor for all other applications and examinations considered necessary by the supervisor for furnishing and certifying copies of documents and for any publication expenses incurred by the bureau in the publication or serving of notices required by the Act.

MCL 491.108 et al.

FISCAL IMPACT

The bill would have an indeterminate impact on the State General Fund and the Department of Commerce for the following reasons:

- The Financial Institutions Bureau (FIB) would receive an indeterminate amount of revenue from filing and

application fees paid by state-chartered savings and loan institutions (S&Ls) depending on the number and type of documents and applications that were filed. Currently, the FIB is charging State S&Ls only for annual examinations, which totals about $2,700 (9 State S&Ls X a minimum fee of $300 per S&L = $2,700) and is credited to the General Fund. The bill would credit the fees to the FIB.

- Examination and filing fees paid by foreign S&Ls would be credited to the FIB rather than to the General Fund as currently provided by law. Since there currently are only two foreign S&Ls and the examination fee would be increased from $1,500 to $2,500 under the bill (the FIB is only charging for an annual examination), the FIB would realize an immediate revenue increase of $5,000 in examination fees, plus $60 in fees for filing annual reports ($30/report X 2 foreign S&Ls), the only other fee which FIB charges foreign S&Ls.
- Revenues realized from fees paid by federally-chartered S&Ls would depend on the number of conversion applications and annual reports filed. Currently, these fees are credited to the State General Fund; the bill would credit the fees to the FIB. The FIB, however, does not currently charge Federal S&Ls any fees.
- Revenues realized from application and filing fees for the establishment and operation of new S&Ls (i.e., established after 6-1-87) would depend on the number established, the type and number of documents filed and applications made, and the processing time per application. Examination fees would depend on the gross assets of the S&L, and if a supplementary fee were deemed necessary, on the amount of excess time spent on the examination.
- The commissioner of the FIB would have discretionary power to charge application and examination fees in addition to those specifically provided in the bill, and to charge for copying of documents and publication expenses incurred in the publication or serving of notices under the act.

ARGUMENTS

Supporting Argument

The bill would stimulate competition among financial institutions by allowing savings and loan associations to offer services similar to those provided by banks. Public Act 177 of 1985 revised the Banking Code to permit banks to offer increased services and has allowed banks to respond to market demands more effectively. The bill would have the same positive effect on savings and loan associations and their members; the flexibility that associations would gain as a result of the bill would facilitate more efficient delivery of services.

Supporting Argument

Congress has granted Federally-chartered associations the authority to consolidate and acquire other associations across state lines. This activity is allowed only if the state where an association's primary offices are located amends its savings and loan association authorizing act to permit such practices, however. The bill would fulfill this requirement.

Supporting Argument

The bill would allow associations to compete fairly not only with banks and other associations but also with other types of businesses that recently have begun to offer financial services. For example, some insurers offer savings, investment, and loan services; some real estate brokers offer mortgage services; and even some department stores have established "financial centers".

Supporting Argument

The Act permits associations to invest in "service corporations". This provision is confusing, however, because the Act defines service corporations as corporations that engage in activities that are incidental to the conduct of a savings and loan association, or that further or facilitate an association's corporate purposes or furnish services to an association. The bill would eliminate this confusion by specifying the types of activities in which a service corporation could engage.

Opposing Argument

Under the guise of establishing parity and stimulating competition with banks, the bill would move toward eliminating distinctions between banks and savings and loan associations.

Response: Associations would retain their links with communities. Federal regulations require savings and loan associations to invest a certain percentage of their assets in residential properties and the bill would not affect that requirement.

Opposing Argument

Savings and loan associations should not be allowed to be insured with FDIC, but should be required to insure deposits with FSLIC.

Response: Competition among the Federal insurance corporations is healthy. Financial institutions should be allowed to choose between the two, rather than be mandated to insure with one or the other. FDIC standards are uniform and are imposed nationally; insuring with FDIC rather than FSLIC would not weaken coverage.

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