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STATE SAVINGS BANKS: ENGAGE IN REAL ESTATE BROKERAGE

House Bill 6022 as introduced
First Analysis (9-17-96)

Sponsor: Rep. Gary L. Randall
Committee: Commerce

THE APPARENT PROBLEM:

On July 1 of this year the governor signed into law Public Act 354, creating the State Savings Bank Act, which provides for the incorporation, regulation, supervision, and internal administration of this new type of state-chartered depository financial institution. Among other things, the new act grants a state savings bank the power to engage directly in the real estate brokerage business or wholly or partially own a real estate brokerage business, but specifies that these activities could not be engaged in until April 1, 1997, and April 1, 1996, respectively. (According to the Legislative Service Bureau, the effective date specified for owning a real estate brokerage business was a technical mistake and is supposed to be the same as the former.) Apparently, however, some people now believe no valid reason exists to delay state savings banks' ability to engage in real estate activities. Moreover, because of concerns about parity, other depository financial institutions reportedly have expressed an interest in acquiring these powers, too. Thus, legislation has been proposed to delete the effective dates for these powers as they apply to state savings banks in order to facilitate other financial institutions' entry into this particular business activity.

THE CONTENT OF THE BILL:

The State Savings Bank Act, Public Act 354 of 1996, was enacted to provide for the creation of state-regulated savings banks. Among other things, the act permits these depository financial institutions, beginning April 1, 1996, to partly or wholly own a real estate brokerage business, and to engage in the real estate brokerage business beginning April 1, 1997. (Apparently, according to the Legislative Service Bureau, the specified effective date for owning a real estate brokerage business is a typographical error; the date was supposed to be April 1, 1997.) The bill would delete both of these effective dates and, thus, would permit state savings banks to immediately engage in the real estate brokerage business.

MCL 487.3401

FISCAL IMPLICATIONS:

The House Fiscal Agency says the bill would not affect state or local budget expenditures. (9-11-96)

ARGUMENTS:

For:

The bill takes the sensible step of removing from the newly created State Savings Bank Act the effective dates of April 1, 1997, when state savings banks will be permitted to engage in the real estate brokerage business, and April 1, 1996, which technically allowed them to immediately begin owning real estate brokerage businesses. Thus, the bill would permit a depository financial institution that is incorporated as a state-chartered savings bank to immediately begin engaging in both of these activities. But the bill not only would hasten savings banks' ability to expand the types of financial services they could offer to Michigan consumers, it would encourage the legislature to grant these powers to other types of depository financial institutions, too. (The H-3 Substitute adopted in the House Commerce Committee for Senate Bill 1018, in fact, includes provisions that would grant banks these powers, too.)

POSITIONS:

The Financial Institutions Bureau supports the bill. (9-12-96)

The Michigan League of Savings Institutions supports the bill. (9-16-96)

The Michigan Bankers Association supports the bill. (9-12-96)

The Michigan Association of Realtors supports the bill. (9-13-96)

Analyst: T. Iversen

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.

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