Legislative Analyst: Curtis Walker







Telephone: (517) 373-5383 Fax: (517) 373-1986 TDD: (517) 373-0543

House Bill 4743 (Substitute H-1 as passed by the House) House Bill 4749 (Substitute H-2 as passed by the House) Sponsor: Representative Darwin Booher (H.B. 4743)

Representative Ed Clemente (H.B. 4749)

House Committee: Banking and Financial Services Senate Committee: Banking and Financial Institutions

Date Completed: 6-15-09

#### **CONTENT**

House Bills 4743 (H-1) and 4749 (H-2) would amend the Banking Code and the Savings Bank Act, respectively, to do the following:

- -- Require a bank or savings bank to charge off a debt if it were past due for 12 months, rather than six months.
- -- Require the bank or savings bank to charge off only the portion of the debt that was not well secured.

The bills are described below.

### House Bill 4743 (H-1)

Under the Banking Code, if the interest on a debt due to a bank is past due and unpaid for a period of six months, the bank must charge off the debt to its allowance for loan and lease losses, unless the debt is well secured and in the process of collection or it constitutes a claim against a solvent estate in probate.

Under the bill, if the interest on a debt held by a bank were past due and unpaid for a period of 12 months, the bank would have to charge off the portion of the debt that was not well secured unless the debt constituted a claim against a solvent estate in probate.

#### House Bill 4749 (H-2)

The Savings Bank Act requires that all debts due to a savings bank on which interest is past due and unpaid for a period of six months be charged off to the savings bank's reserve for bad debts or the profit and loss account, unless the debts are well secured and in the process of collection or they constitute claims against solvent estates in probate.

Under the bill, if the interest on a debt were past due and unpaid for 12 months, the savings bank would have to charge off the portion of the debt that was not well secured unless a debt constituted a claim against a solvent estate in probate.

MCL 487.14205 (H.B. 4743) 487.3512 (H.B. 4749)

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# **FISCAL IMPACT**

The bills would have no fiscal impact on State or local government.

Fiscal Analyst: Elizabeth Pratt

Maria Tyszkiewicz

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.