HCS SS SCS SB 346 -- FINANCIAL SERVICES

SPONSOR: Yeckel (Luetkemeyer)

COMMITTEE ACTION: Voted "do pass" by the Committee on Financial Services by a vote of 13 to 0.

This substitute makes several changes to the laws governing financial services. The substitute:

(1) Gives priority to Article 9 securities over liens on deeds of trust and other instruments affecting real property in first classification counties which have two recorders' offices for the time period from June 30, 2001, to August 28, 2003;

(2) Adds $1 to the recording fee that county recorders charge for every document recorded. Additional moneys are to be sent to the county employees' retirement fund or to the general revenue fund of charter counties without a county employees' retirement fund. The substitute contains an effective date of September 1, 2003, for this section;

(3) Allows the Missouri Higher Education Loan Authority (MOHELA) to originate PLUS loans (Parent Loans for Undergraduate Students) and increases the term of the bonds the loan authority may sell from 30 years to 40 years;

(4) Allows the Division of Finance to obtain information filed with federal regulatory agencies, rather than requiring banks to file reports of condition directly with the division;

(5) Allows the division access to the work papers used in a certified public accountant's audit of a bank and requires the certified public accountant to maintain these records for three years after the report to the bank is issued;

(6) Requires banks to get prior approval from the division when the bank seeks to purchase real property for an amount that exceeds its loan limit or when the bank seeks to purchase property from an officer, shareholder, or other person with a similar relationship to the bank;

(7) Prohibits the division and the State Banking Board from setting conditions or requirements on deposit account fees or service charges assessed by financial institutions that are more restrictive than those allowed by federal law;

(8) Amends the definition of "unimpaired capital" by requiring that goodwill comprise no more than 10% of the lending institution's unimpaired capital;

(9) Sets forth a process for establishing a new form of business entity called “trust holding company”;

(10) Clarifies that trust holding companies will not be subject to Federal Reserve examination;

(11) Requires any acquisition of a nondepository trust company by a trust holding company to be approved by the division;

(12) Allows the division to pursue joint actions and investigations of trust holding companies with other state and federal regulatory authorities;

(13) Allows electronic filing with the Office of the Secretary of State of certain filings of initial financing statements and abolishes the Uniform Commercial Code Transition Fee Trust Fund. The substitute contains an effective date of September 1, 2003, for this section;

(14) Clarifies that credit card and debit card receipts may show only the last five numbers of the card on the receipts provided to the cardholder;

(15) Clarifies that several provisions relating to variable-rate loans (which are repealed in the substitute) will continue to govern those loans currently in existence, even if the loan is converted to another form of credit later;

(16) Makes unclaimed property payable in the course of a demutulization, rehabilitation, or related reorganization of a mutual insurance company “abandoned” after two years;

(17) Repeals several sections of law setting requirements and restrictions on certain variable-rate loans;

(18) Repeals the limit on fees that financial institutions may charge for check overdrafts;

(19) Adds out-of-state municipal bonds to be offered to the State Treasurer as security by lending institutions. The bonds must be rated in the highest category by at least one nationally recognized rating agency;

(20) Allows the division to issue biennial consumer credit licenses for certain finance companies; and

(21) Allows financial institutions to charge late payment fees of up to $50 for certain consumer loans and second mortgages which are in default for a period of more than 15 days.

FISCAL NOTE: Estimated Net Income to General Revenue Fund of $30,000,000 in FY 2004, $0 in FY 2005, and $0 in FY 2006. Estimated Net Effect on Unclaimed Funds of $0 in FY 2004, FY 2005, and FY 2006.

PROPONENTS: Supporters say that the bill as it passed the Senate is identical to HB 221, (which has already been truly agreed) except that it also includes a provision which generates approximately $30 million for the state. This provision relates to the demutualization process for mutual insurance companies. (Demutualization is the process by which a mutual insurance company -- i.e., a nonprofit, policy holder-owned company -- is converted into a private, for-profit company and the policy holders are issued stock in the new company.) When some policy holders in such a demutualization cannot be found, this stock ends up in limbo. The substitute sets a two-year period from which this unclaimed stock reverts to the state as unclaimed property.

Testifying for the bill were Senator Yeckel; Prudential Insurance Company; and Office of the State Treasurer.

OPPONENTS: There was no opposition voiced to the committee.

Richard Smreker, Senior Legislative Analyst