

SS SCS SB 106 -- FINANCIAL INSTITUTIONS

SPONSOR: Crawford (Francis)

COMMITTEE ACTION: Voted "Do Pass" by the Standing Committee on Financial Institutions by a vote of 13 to 0. Voted "Do Pass" by the Standing Committee on Rules- Administrative Oversight by a vote of 7 to 3.

This bill modifies various provisions relating to financial institutions.

STATE BANKING AND SAVINGS AND LOAN BOARD (Section 361.097, RSMo)

This bill requires at least three members of the State Banking and Savings to have at least 5 years of active bank or association management experience at an institution chartered under state law.

ELECTRONIC POSTINGS (Section 361.110)

Currently, the Director of the Division of Finance is required to keep a bulletin board in his or her office containing various statements of information concerning corporations and persons doing business in the state. This bill modifies that requirement by requiring such statements to be posted on the Division of Finance website instead, to be updated each Monday.

This section is similar to a provision in SB 362 (2021).

BANKING REGULATIONS (Sections 362.044 - 362.765)

The bill permits electronic notification of annual or special stockholders' meetings (Section 362.044).

This bill permits directors of a bank or trust company to attend board meetings by telephonic conference call or video conferencing, and such directors may be counted as part of the quorum, provided the bank or trust company has a composite rating of 1 or 2 under the Uniform Financial Institutions Rating System of the Federal Financial Institution Examination Counsel.

The bill permits the Director of the Division of Finance to promulgate additional regulations to provide for the integrity of the board of directors' operations when directors attend board meetings remotely and for the safety and soundness of the bank and trust company's operation.

This bill repeals a provision providing a remedy for when a bank, trust company, or director fails to follow the procedures for

directors who are not physically present and counted toward the board's quorum (Section 362.247).

The bill repeals a requirement for every elected director of a bank or trust company to take an oath and be immediately transmitted to the Director of Finance.

This bill requires the inclusion of the relevant information relative to the amount or penal sum of the bonds or policies and the sureties or underwriters thereon on a form provided by the Division of Finance and retained and preserved by the bank or trust company. The Director of Finance shall publish an annual tiered schedule of minimum levels of coverages (Section 362.340).

The bill permits a bank or trust company to merge with one or more of its nonbank subsidiaries or affiliates pursuant to an agreement of merger as specified in the bill. The Director of Finance must be presented the agreement of merger and approve or decline the agreement within 30 days. If the agreement is declined, the bank or trust company may appeal the decision to the State Banking and Savings and Loan Board (Section 362.765).

RETAIL INSTALLMENT CONTRACTS - MOTOR VEHICLES (Sections 365.100 and 365.140)

The bill allows the holder of a retail installment contract to charge, finance, and collect a reasonable service fee not to exceed \$25 for each check, draft, order, or like instrument returned unpaid by a financial institution, plus an amount equal to the actual charge for the return of each check, draft, order, or like instrument returned unpaid (Section 365.100).

If a retail installment contract is paid in full, the holder shall provide the buyer proof of payment in full which may be by a letter referencing the contract which shall include information identifying the contract such as the original loan date, account number or other identifying number or code, or by returning the original contract or a copy thereof that is marked as paid in full by the holder, or by returning the original contract or a copy thereof marked by the holder as paid in full (Section 365.140).

These sections are substantially similar to provisions in SB 385 (2021).

SAVINGS AND LOAN REGULATIONS (Sections 369.049 - 369.705)

This bill removes the requirement that every savings and loan association to include either the words "Savings Association" or "Savings and Loan Association" and instead permits it. The bill

further repeals the prohibition on using the following words in an association name: "National", "Federal", "United States", "Insured", "Guaranteed", "Government", and "Official."

The bill permits a savings and loan institution or savings bank to merge with one or more of its subsidiaries or affiliates pursuant to an agreement of merger as specified in the bill. The Director of Finance must be presented the agreement of merger and approve or decline the agreement within 30 days. If the agreement is declined, the savings and loan institution or savings bank may appeal the decision to the State Banking and Savings and Loan Board.

UNIFORM COMMERCIAL CODE (Section 400.3-309)

This bill modifies the process for how a person not in possession of an instrument can enforce an instrument under the Uniform Commercial Code. Specifically, a person can enforce such an instrument if, in addition to meeting criteria required under current law, the person either was entitled to enforce the instrument when the loss of possession occurred or the person has directly or indirectly acquired ownership of the instrument from a person who was entitled to enforce the instrument when loss of possession occurred.

This section is the same as HB 518 (2021) and similar to SB 359 (2021).

RATES OF INTEREST IN BUSINESS, COMMERCIAL, AND AGRICULTURAL LOANS (Sections 408.035 and 408.100)

This bill allows parties to agree in writing to extensions of credit primarily for business, commercial, or agricultural purposes (Section 408.035).

The bill additionally repeals an exemption from a provision allowing any person, firm, or corporation to charge, contract for and receive interest on the unpaid principal balance at rates agreed to by the parties such that it applies to loans which are secured by a lien on nonprocessed farm products, livestock, farm machinery or crops or to loans to corporations.

This sections is similar to provisions in SB 385 (2021).

PERMISSIBLE FEES INCIDENT TO EXTENSIONS OF CREDIT (Section 408.140)

This bill allows a lender to:

- (1) Charge reasonable and bona fide third-party fees paid out by

the lender to any public officer for remote or electronic filing in any public office; and

(2) Charge a reasonable service fee not to exceed \$25 for any check, draft, order, or like instrument returned unpaid by a financial institution, plus an amount equal to the actual charge for the return of each check, draft, order, or like instrument returned unpaid.

The bill repeals a provision allowing a lender to collect a fee in advance for allowing the debtor to defer up to three monthly loan payments.

This section is similar to provisions in SB 385 (2021).

DEFERMENT OF MONTHLY LOAN PAYMENTS (Section 408.178)

Currently, a lender is allowed to collect a fee in advance for allowing a debtor to defer monthly loan payments on loans with an original amount of \$600 or more. This bill repeals the loan amount threshold for this provision such that a lender may collect such a fee on a loan of any amount.

This section is the same as a provision in SB 385 (2021).

SECOND MORTGAGES (Sections 408.233 and 408.234)

The bill allows the charge of a reasonable and bona fide third-party fee incurred for the remote or electronic filing of the perfection, release, or satisfaction of a security interest related to a second mortgage loan (Section 408.233).

This bill repeals a prohibition on the issuance of a second mortgage loan in an initial principal amount of less than \$2,500 (Section 408.234).

This section is similar to provisions in SB 385 (2021).

RETAIL TIME CONTRACTS (Section 408.250)

The bill allows reasonable and bona fide third-party fees incurred for remote or electronic filing in connection with any retail time contract.

This section is similar to provisions in SB 385 (2021).

LENDER RECOVERY UPON DEFAULT (Section 408.553)

The bill modifies the amount that a lender may collect from a

borrower upon default. Specifically, a lender is entitled to recover the amount due and accrued under the agreement, including interest and penalties through the date of payment in full or to the date of final judgment. Following a judgment, the lender may additionally recover the simple interest equivalent of the rate provided in the contract as applied to the amount of the judgment until the date the judgment is paid and satisfied.

These provisions are similar to provisions in SB 385 (2021).

NOTICE OF DEFAULT(Section 408.554)

This bill repeals the requirement for a default notice issued in the case of a second default on the same loan or transaction or a third default on the same second mortgage to contain a provision notifying the borrower that in case of further default the borrower will have no right to cure.

This section is similar to provisions in SB 385 (2021).

LENDERS OF CONSUMER CREDIT LOANS (Section 367.150)

The bill repeals a law requiring lenders of consumer credit loans to file a report with the Director of the Division of Finance detailing, among other things, the financial condition of the lender and the total aggregate number and principal amount of loans made by the lender.

This section is the same as a provision in SB 362 (2021).

This bill is similar to HCS HBs 928 & 927 (2021).

PROPONENTS: Supporters say that this updates state banking codes and allows banks to operate more efficiently using new technology.

Testifying for the bill were Senator Crawford; Andrew Arnold, Missouri Independent Bankers Association; Mick Campbell, Division Of Finance; David Kent, Missouri Bankers Association.

Written testimony has been submitted for this bill. The full written testimony can be found under Testimony on the bill page on the House website.