

BILL ANALYSIS

Senate Research Center
80R10024 DWS-F

H.B. 944
By: Solomons, Leibowitz (Fraser)
Business & Commerce
4/27/2007
Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Banking and commercial activity have traditionally remained separate business activities and federal law provides for strict barriers. In 1987, Congress enacted the Competitive Equality Banking Act (CEBA), which authorized the creation of industrial loan corporations (ILCs), which are special purpose banks that are owned by commercial firms and their affiliates.

ILCs are chartered in several states. In 2005, several giant commercial firms, including Wal-Mart and Home Depot, applied for ILCs insured by the Federal Deposit Insurance Corporation (FDIC). While their applications are still pending, the FDIC ruled in January 2007 to continue the moratorium on new ILC approvals, pending further review.

H.B. 944 prohibits state banks, savings banks, or depository institutions from establishing or maintaining a branch or office in a commercial affiliate. This bill protects the existing powers of Texas state savings banks and thrifts.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BYSECTION ANALYSIS

SECTION 1. Amends Section 31.002(a), Finance Code, by adding Subdivision (10-a) to define "commercial activity."

SECTION 2. Amends Section 32.203, Finance Code, by adding Subsection (c), to prohibit a state bank from establishing or maintaining a branch on the premises or property of an affiliate if the affiliate engages in a commercial activity.

SECTION 3. Amends Section 92.063, Finance Code, by adding Subsection (d), to prohibit a savings bank from establishing or maintaining a branch on the premises or property of an affiliate if the affiliate engages in commercial activities not permitted for a state savings bank or subsidiary of a state savings bank.

SECTION 4. Amends Section 203.002, Finance Code, by adding Subsection (d), to prohibit a depository institution from establishing or maintaining a branch in this state on the premises or property of an affiliate if the affiliate engages in commercial activities, except as provided by Section 92.063(d).

SECTION 5. Effective date: upon passage or September 1, 2007.