

BILL ANALYSIS

C.S.H.B. 944
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Financial Institutions
Committee Report (Substituted)

BACKGROUND AND PURPOSE

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 FDIC-insured ILCs. While their applications are still pending, the FDIC ruled in January 2007 to continue the moratorium on new ILC approvals, pending further review.

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

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 944 amends the Finance Code to define commercial activity as activity in which a bank holding company, financial holding company, national bank or national bank financial subsidiary may not engage under U.S. law. The bill further prohibits a state bank, a savings bank, or depository institution from establishing or maintaining a branch on the premises of an affiliate that engages in commercial activity except for a depository institution under the Finance Code, Sec. 92.063(d).

EFFECTIVE DATE

Upon passage, or, if the Act does not receive the necessary vote, the Act takes effect September 1, 2007.

COMPARISON OF ORIGINAL TO SUBSTITUTE

C.S.H.B. 944 adds language in Sections 92.063 and 203.002 to conform to existing powers of Texas state savings banks and thrifts.