

## **BILL ANALYSIS**

Senate Research Center  
85R5938 EES-F

H.B. 2579  
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Business & Commerce  
5/5/2017  
Engrossed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Prior to 1993, the regulatory authority of the Texas Department of Savings and Mortgage Lending (SML) was solely over savings and loan associations as found in Title 3, Subtitle B, Finance Code. In 1993, with the passage of the Savings Bank Act, Title 3, Subtitle C, Finance Code, SML's regulatory oversight expanded to the chartering and supervision of savings banks.

A financial institution bond is critical to a savings bank's overall risk management program. Today, savings banks face a myriad of potential exposures that could adversely affect its overall safety and soundness. Savings banks may suffer losses not only from fraud, theft, misplacement, and other coverages provided by a financial institution bond, but losses from computer-related crimes are also a huge exposure in banking today. A properly written financial institution bond with adequate coverage limits would help mitigate potential losses that may occur in a savings bank today.

H.B. 2579 amends Chapter 92, Finance Code, by requiring a savings bank to maintain a financial institution bond, rather than an outdated indemnity bond, and by updating requirements in order to provide adequate coverage to protect the savings bank from loss, including losses from an attorney retained by the savings bank, a nonemployee performing data processing services for the savings bank, or by other perils such as robbery, burglary, forgery, or alteration. It is further required that a collection agent who is not covered by the bond shall ensure that the savings bank is included as a loss payee in the collection agent's crime coverage and obtain a certificate of insurance evidencing the sufficiency of the collection agent's crime coverage.

H.B. 2579 amends current law relating to the bond and other coverages required to be maintained by or for the benefit of a savings bank.

### **RULEMAKING AUTHORITY**

Rulemaking authority is previously granted to the Finance Commission of Texas is modified in SECTION 1 (Section 92.156, Finance Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 92.156, Finance Code, as follows:

Sec. 92.156. New heading: FINANCIAL INSTITUTION BOND. (a) Requires a savings bank to maintain a financial institution, rather than blanket indemnity, bond that provides adequate coverage to protect, rather than an adequate corporate surety protecting, the savings bank from loss:

(1) by or through dishonest or criminal action or omission, including fraud, theft, or misplacement, rather than fraud, theft, robbery, or burglary, by an attorney retained by the savings bank, a nonemployee performing data processing services for the savings bank, or a director of the savings bank performing a duty, rather than when the director performs the duty, of an officer or employee. Creates this subdivision from existing text. Makes nonsubstantive changes; or

(2) by other perils such as robbery, burglary, forgery, or alteration.

(b) Requires a savings bank that employs a collection agent who is not covered by the bond required by Subsection (a) to:

(1) ensure that the savings bank is included as a loss payee in the collection agent's crime coverage; and

(2) obtain a certificate of insurance evidencing the sufficiency of the collection agent's crime coverage, rather than provide for the bonding of the agent in an amount equal to at least twice the average monthly collection of the agent unless the agent is a financial institution insured by the Federal Deposit Insurance Corporation. Deletes existing text requiring an agent to settle with the savings bank at least monthly.

(c) Requires the board of directors or the managers of a savings bank, subject to rules adopted under Subsection (e), to, at least annually, review and approve, rather than to approve:

(1) the coverage, including the amount of the coverage, provided by the bond and the form of the bond, rather than the amount and form of the bond; and

(2) the sustainability, of the corporate surety or insurer that issued the bond, rather than the sufficiency of the surety.

(d) Requires the bond to provide that a cancellation or other termination by the corporate surety or insurer or by the insured is not effective, rather than provide that a cancellation by the surety or the insured is not effective, until the earlier of a certain date.

(e) Authorizes the Finance Commission of Texas to adopt rules establishing:

(1) the coverage, including the amount of the coverage, that is required to be provided by the bond and the form of the bond, rather than the amount and form of the bond; and

(2) the sustainability, of the corporate surety or insurer that issued the bond, rather than the sufficiency of the surety.

SECTION 2. Requires that, not later than January 1, 2018, a savings bank that maintains a bond under Section 92.156, Finance Code, on the effective date of this Act obtain a bond that satisfies the requirements of Section 92.156, Finance Code, as amended by this Act, and that collection agent employed by a savings bank maintain crime coverage in compliance with Section 92.156(b), Finance Code, as amended by this Act.

SECTION 3. Effective date: September 1, 2017.