

BILL ANALYSIS

C.S.H.B. 2831
By: Oliveira
Investments & Financial Services
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Interested parties contend that the cap on the aggregate amount of investments state banks may make in entities that promote community development is too low. C.S.H.B. 2831 seeks to address this issue by raising the cap on the aggregate amount of those investments and making other clarifying changes.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

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. 2831 amends the Finance Code to raise the cap on certain aggregate investments of a predominantly civic, community, or public nature a state bank may make under the Texas Banking Act from an amount equal to 10 percent of the bank's unimpaired capital and surplus to an amount equal to 15 percent of such capital and surplus. The bill replaces the authorization for the banking commissioner of Texas to authorize investments in excess of the cap in response to a written application under certain circumstances with a prohibition against such a bank's exposure to a single project or entity described by related statutory provisions, including all investments, loans, and commitments for loans, exceeding 25 percent of the bank's unimpaired capital and surplus without the prior authorization of the banking commissioner in response to a written application.

EFFECTIVE DATE

September 1, 2017.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 2831 may differ from the original in minor or nonsubstantive ways, the following comparison is organized and formatted in a manner that indicates the substantial differences between the introduced and committee substitute versions of the bill.

| INTRODUCED | HOUSE COMMITTEE SUBSTITUTE |
|-----------------------------------|-----------------------------------|
| SECTION 1. The heading to Section | SECTION 1. The heading to Section |

34.106, Finance Code, is amended to read as follows:

Sec. 34.106. INVESTMENTS TO PROMOTE ~~[FOR]~~ PUBLIC WELFARE AND COMMUNITY DEVELOPMENT.

SECTION 2. Section 34.106, Finance Code, is amended by amending Subsection (d) and adding Subsection (e) to read as follows:

(d) A bank's aggregate equity investments under this section~~[, including loans and commitments for loans;]~~ may not:

(1) exceed an amount equal to 15 ~~[40]~~ percent of the bank's unimpaired capital and surplus; and

(2) be made unless the bank is at least adequately capitalized. ~~[The banking commissioner may authorize investments in excess of this limitation in response to a written application if the banking commissioner concludes that:~~

~~[(1) the excess investment is not precluded by other applicable law; and~~

~~[(2) the safety and soundness of the requesting bank would not be adversely affected.]~~

(e) Subject to Subsection (d), a bank's investments described by Subsection (a), including equity investments and loans and commitments for loans, in a single entity may not exceed 25 percent of the bank's unimpaired capital and surplus without the prior authorization of the banking commissioner in response to a written application.

SECTION 3. This Act takes effect September 1, 2017.

34.106, Finance Code, is amended to read as follows:

Sec. 34.106. INVESTMENTS TO PROMOTE COMMUNITY DEVELOPMENT ~~[FOR PUBLIC WELFARE]~~.

SECTION 2. Section 34.106, Finance Code, is amended by amending Subsection (d) and adding Subsection (e) to read as follows:

(d) A bank's aggregate investments under this section~~[, including loans and commitments for loans;]~~ may not exceed an amount equal to 15 ~~[40]~~ percent of the bank's unimpaired capital and surplus. ~~[The banking commissioner may authorize investments in excess of this limitation in response to a written application if the banking commissioner concludes that:~~

~~[(1) the excess investment is not precluded by other applicable law; and~~

~~[(2) the safety and soundness of the requesting bank would not be adversely affected.]~~

(e) Notwithstanding any other law, a bank's exposure to a single project or entity described by this section, including all investments, loans, and commitments for loans, may not exceed 25 percent of the bank's unimpaired capital and surplus without the prior authorization of the banking commissioner in response to a written application.

SECTION 3. Same as introduced version.