

4-19-82

SB 752

HOUSE LABOR & COMMERCE
STANDING COMMITTEE
April 19, 1982
12:14 p.m.

Members Present: Rep. Martin, Chairman
Rep. Bylsma, Vice Chairman
Rep. Randolph

Members Absent: Rep. Rogers
Rep. Gardiner

COMMITTEE CALENDAR

SB 752 An Act relating to savings associations; and
providing for an effective date.

WITNESS REGISTER

Senator Rodey
Alaska State Legislature
Pouch V
Juneau, Alaska 99811
465-3717

Position Statement: Explained bill and why legislation will
benefit Alaska.

Tom Lusk
Chief Bank Examiner
Division of Banking & Securities
Juneau, Alaska 99811
465-2521

Position Statement: Did not oppose bill.

Bob Lowe, Chairman
Peoples Bank & Trust
807 G Street
Anchorage, Alaska
338-3613

Position Statement: Supported interstate banking.

Jim Hackett, Chairman
Legislative Affairs Committee
Alaska Bankers Association
400 West 76th, #113
Anchorage, Alaska
349-1675

Position Statement: Association supported bill.

Eddie Turner
Peninsula Savings & Loan
Pouch 1000

Soldotna, Alaska
262-9166
Position Statement: Supported bill.

Gene Erskine, president
Unicorp
owners of United Bank Alaska
645 "G" Street
Anchorage, Alaska
276-1911
Position Statement: Supported concept of interstate banking.

Arnold Espe, Chairman
Alaska Pacific Bank Corporation
PO Box 420
Anchorage, Alaska
276-0002
Position Statement: Supported bill because they are convinced it
will happen at federal level.

PREVIOUS ACTION

SB 752 See minutes of meeting of 4/15/82.

Statutory Reference: (HCS CSSB 752 L&C) AS
06.30; AS 06.05.

Action Taken: Committee substitute adopted;
amended; and reported out of committee.

ACTION NARRATIVE

Tape #60
Recording
Number 000

The meeting was called to order by Chairman
Martin at 12:14 p.m. Members present were:
Representatives Martin, Bylsma, and
Randolph. Representatives Rogers and
Gardiner were absent. Rep. Martin brought
SB 752 and the proposed committee substitute
before the committee, and explained what had
happened to date on the legislation.

Number 008

Senator Rodey commented on the interstate
banking aspect of the committee substitute.
He said the benefits of interstate banking
to Alaska would be: greater capital
available; greater competition among
financial institutions; a greater variety of
services would be offered; and that
competition and the use of electronic
services would slow the rise in service

costs. He said the on the whole, there was strong public interest in seeing interstate banking in Alaska. Sen. Rodey said the only criticism being made is that some deposits will leave Alaska. He said this would not happen, and explained why. He said that interstate banking would provide a greater source and a greater variety of sources of capital, which would be good for the consumer.

Number 054

Rep. Bylsma asked Sen. Rodey's opinion of the committee substitute. Sen. Rodey said the language in the bill should be very carefully and skillfully drafted. He said the committee substitute uses the best language in this area. He offered the assistance of his staff in checking the language of the committee substitute to be sure it is correct.

Number 066

Rep. Martin said some people were saying that some national banks might have an advantage over others in being aware of the legislation. He asked if there was possibility of providing a grace period. Sen. Rodey said that anyone interested in acquiring an Alaskan bank could do so, and that it would be wrong to regulate the market. This was discussed.

Number 105

Rep. Martin asked how the public would perceive the legislation. Sen. Rodey said there should be no problem; that bringing national companies to Alaska was good for us and should be encouraged.

Number 130

Tom Lusk, Chief Bank Examiner for the Division of Banking & Securities, gave an overview of the committee substitute. He said they did not oppose the bill. There was discussion. Lusk said the Attorney General had recommended the bill title, and that the change was made at the AG's suggestion. There was discussion.

Number 154

Bob Lowe, chairman of Peoples Bank, said that Sen. Rodey had covered the points he wished to make. He felt that, with interstate banking, the infusion of capital would enable his bank to branch in areas which would allow them to be competitive. He said growth is currently limited to what they can generate through internal earnings.

Lowe said the ability of small banks to grow is limited by capital. He felt that the interstate banking system would bring in this capital. He said it would lessen the cost of services and interest rates. He said it also brings sophistication and expertise not currently being provided. Lowe said he had heard the argument raised that these banks would drain off deposits. He said this was not the case: he said the banks are looking for a market for loans, and that they would bring in capital, which would benefit the consumer. Lowe said that competition would strengthen the banking system. Lowe said that another argument is that local control of banking institutions would be lost. Lowe said there is currently no ready market for bank stocks, and that interstate banking would provide this. He said, regarding local control, that he believes small banks will be operated as subsidiaries. Lowe explained how it would impact his bank.

Number 261

Jim Hackett, chairman of the Legislative Affairs Committee of the Alaska Bankers Association, said the Association fully supports the idea of interstate banking. He said it already exists in some cases, and gave examples. Hackett said the issue relates to ownership of existing franchises by out of state holding companies. He said the Association supports the change, as it will open competition; will allow the continued existence of the identity of franchises within the state; allows for the infusion of additional capital and additional deposits; provides greater customer services; and that the interests and knowledge of Alaska would substantially increase. Hackett said the Association supports interstate banking, and supports a wide open approach to banking in Alaska, with few constraints. He said the potential change in statute has been widely publicized throughout the country, and that few banks would be unaware of the opportunity to purchase Alaska banks.

Number 331

Rep. Randolph asked what the negatives would be, from a consumer point of view. Hackett found it difficult to see any negatives. He said that competition for consumer services would increase, which would be positive.

- Number 355 Eddie Turner, Peninsula Savings & Loan, said that the proposed committee substitute addressed all his concerns except one, which was that, in Section 3, the reference to "his" spouse should be changed to "his or her". Regarding what the bill would do for consumers, Turner said that competition would benefit the consumer, and illustrated this view. Turner said he strongly supported the concept of the bill.
- Number 393 Rep. Martin questioned why language in Section 2 had been changed from "shall" to "may". Turner said the changes were needed to make stockholder records more confidential.
- Number 413 Gene Erskine, president of Unicorp, which is the holding company that owns United Bank Alaska, said the owners of Unicorp and management support the concept of interstate banking. He elaborated on why they supported this.
- Number 447 Arnold Espe, chairman of Alaska Pacific Bank Corporation, said they support interstate banking because they are convinced that it will happen at the federal level. He explained. Espe said he feared that Alaska would be declared contiguous to Washington state if the federal government made the changes in law.
- Number 468 Rep. Martin said he had heard that the state of Maine had turned down similar legislation, and asked if anyone knew why. Senator Rodey said it was passed by the Senate, but failed in the House, and that the legislation would not be of as much benefit to Maine as it would to Alaska. Sen. Rodey agreed with Espe that interstate banking was coming. There was discussion. Rep. Randolph said if the federal government does it, it might not be in our interest. He felt we should get into the system ahead of the feds, as there would be more benefits to derive than if we waited.
- Number 513 Rep. Randolph requested more explanation of the overall philosophy of the committee substitute. Sen. Rodey said, regarding the savings and loan bill portions of the bill, that it would put Alaska chartered savings and loans in parity with federal law, so

that all such institutions would be treated equally. Sen. Rodey said the second part of the bill provides language to meet the requirements of the Douglas amendment, allowing bank holding companies to come into the state and acquire banks. Rep. Randolph asked if previous testimony had been on the committee substitute. It was agreed that it had been. Jeff Barry, committee aide, said the Section 10 was an oversight in drafting; amendments were discussed.

- Number 593 Rep. Randolph moved to accept HCS CS SB 752 (L&C). There being no objection, the motion passed.
- Number 602 Rep. Randolph moved, on page to, to add "or her" to the phrase, "his spouse". There being no objection, the motion passed.
- Number 614 Rep. Bylsma moved that a new Section 10 be inserted, being the same as the old Section 7; and that the existing Section 10 be renumbered. There being no objection, the motion passed.
- Number 630 Rep. Randolph moved that HCS CSSB 752 (L&C) be reported out of committee, as amended. There being no objection, the motion passed.
- Number 638 As there was no further business to come before the committee, the meeting was adjourned at 12:56 p.m.

Absent:
Rogers
Hardiner

SB 752

H. Labor & Commerce

Tape # 60

~~SB 756~~

4/19/82

12:14

Sen. Rodey attended.

000

Call to order; w/d SB 752 & prop'd CS. Have background.

008

Sen Rodey commented on interstate banking aspect of CS.

- greater capital avail
- " competn among fin's instns
- " variety of services offered
- compln & use of electronic svcs will
slow rise in svcs costs

} benefits of
interstate
banking

On whole, strong pub interest in seeing interstate banking in Ak.

Only criticism is some deposits will leave Ak - this will not happen. Explained.

Int. bkg will provide greater source & variety of sources of capital. - good for consumer.

054

Byersma asked opn of CS. Rodey said lang in bill shd be drafted very carefully & skillfully. Said CS uses best lang in this area. Requested comm work w/ his staff to be sure lang is correct.

066

Martin said ^{some} people said nat'l banks might have advantage over others. Asked if there was possibility of providing grace period. Rodey said anyone interested in acquiring Akn bank cld do so; wd be wrong to regulate market. Discussion.

105 Martin asked if this wd cause harm; asked how public wd perceive legis'n. Rodey said there shd be no problem. Said bringing nat'l companies to AK was good for us & shd be encouraged.

130 Tom Lusk, ^{chief bank examiner} ^{overview of} ~~and~~ CS - did not oppose bill. Discussion. Said AG said this is how bill wd have to be titled; said change was made at his suggestion. Discussion.

154 Bob Low ^{Chmn Peoples Bank -} Sen Rodey covered pts well. Explained pos'n of his bank. ~~Interests~~ feel that w/ int. Ukg - infusion of capital wd enable his bank to branch in areas in order to be competitive. Growth is currently limited to what they can generate th/ internal earnings. Ability of small banks to grow is limited by capital; int Ukg system brings in this capital. Will lessen cost of svcs & % rates; also brings sophistication & expertise not currently being provided. Heard argument raised that these banks will drain off deposit; not the case - they're looking for market for loans, bringing in capital. Will benefit consumer. Competition will strengthen banking system. Another argument is we'll lose control of local banking instns - ~~some~~ currently no ready market for bank stocks - int Ukg will provide this. Re local control, b/c small banks will be operated as subsidiaries. Explained how it wd impact his bank.

- 261 Jim Hackett, At Bankers Assoc - Bks Assoc fully supports idea of intst bkg. Said it already exists in some cases. Issue relates to ownership of existing franchises by out of state holding cos. Assoc supports chng:
- will open competn
 - allows continued existence of identity of franchises w/in state
 - allows for infusion of add'l capital & add'l deposits.
 - greater customer services
 - interests & knowledge of ak wd substantially increase.

Assoc supports interstate bkg, support wide open approach to bkg in ak w/few constraints. Pot'l chng has been widely publicized th/out country.

- 331 Randolph - for consumer pt of view, what are negatives. Hackett found it difficult to see negatives. ~~Outside banks~~ ~~wd~~ have competn for consumer svcs wd increase, which is positive. Transition period may be negative, but not very.
- 355 Eddie Turner - Penin S & L - Martin said there was tentative prob last mtg, asked if it had been resolved. Turner said prop'd CS solved all but one item: Sec 3 - his "or her". Re what it wd do for consumer - competn wld benefit consumer. Gave example. Strongly supports concept of bkg.
- 393 Martin asked abt chng in sec 3 ("shall" to "may") - Turner elaborated on why chngs were needed. - to make stockholder records more confidential.

- 413 Gene Erskine - pres, Unicorp, holding co that owns United Bank Alaska - ~~speaking~~ owners of Unicorp support concept of intot bkg. Elaborated. Mgmt supports concept because they can make alliances to bring in expertise, ~~services~~, & good bankers. need oppo to make alliances to bring in new thinking & new technology.
- 447 Arnold Esbee, chm, Ak Pac Bank Corp - support intot bkg because they're convinced it will happen at fed'l level. Explained. Fear that ak will be declared contiguous to Wash state.
- 468 Martin asked - heard state of Maine turned down similar legislation, asked if anyone knew why. Sen Rodey said it failed in H., was passed by S. - didn't have as much benefit to Maine as it does to Ak. Rodey agreed w/ Esby that intot bkg was coming. Discussion. Randolph said if fed'l do it, it might not be in our interest.
 We should get into system ahead of fed'l - more benefits to derive than if we wait.
- 513 Rand ~~now~~ asked for more explain of CS; ^{overall philosophy of CS} Barry gave overview. Martin noted change in underlining (typo errors) - Sen Rodey said, re S&L bill - puts them on parity w/ fed'l law. Second pt of bill ab provides lang to meet regmts of Douglas and not allowing bank holding cos to come into state & acquire banks. Kind asked if prev testimony had been on CS; it was agreed that it had been. Barry said sec 10 was oversight in drafting.
- 593 Rand moved to accept HCS (SSB 752 (L&C)); no obj., passed.

600 ~~Matter~~ R moved, p. 2, to add "or her" sponsor.
No obj, passed.

614 B moved, ^{winding} sec 10 ~~to~~ be deleted

AS. 06.30.555 (b)(4) is repealed &
renumbered following sections accordingly.

No obj, passed.

630 R moved bill out; no obj, passed.

638 10:56 Adjourned.

LABOR & COMMERCE COMMITTEE
DAILY COMMITTEE HEARING

Date: 4/19/82

Place: _____

<u>Members</u>	<u>Present</u>	<u>Absent</u>	<u>Time Arrived</u>	<u>Time Left</u>
Rep. B. Bylsma, V. Chair	_____ ✓	_____	12:02	
Rep. D. Randolph	_____ ✓	_____	12:14	
Rep. B. Rogers	_____	_____ ✓	_____	_____
Rep. T. Gardiner	_____	_____ ✓	_____	_____
Rep. T. Martin, Chair	_____ ✓	_____	12:00	

Subject Matter:

House Bill No. _____

Senate Bill No. 752 ~~756~~ _____

Special Orders:

Sen. Rodey attended.

Please prepare HCS (L&C)
for CSSB 752 (L+C) am.

If you have
questions, contact
Jeff Barry,
H. Labor & Commerce
X3669

HCS for CS FOR SENATE BILL NO. 752 (L&C)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE - SECOND SESSION
A BILL RELATING TO

For an Act entitled: "An Act relating to financial
institutions; and providing
for an effective date."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. AS 06.30.115 is amended to read:

Sec. 06.30.115. ACCESS TO BOOKS AND RECORDS OF ASSOCIATION.

(a) Every member or stockholder may inspect the books and records of an association which pertain to his loan, [OR] savings account, or voting rights.

(b) Except as provided in (a) [AND (c)] of this section, the right of inspection and examination of the books and records is limited to (1) the commissioner or his authorized representatives as provided in this chapter, (2) persons authorized to act for the association, and (3) any federal instrumentality or agency authorized to inspect or examine the books and records of an insured association.

[(c) IN STOCK ASSOCIATIONS EVERY STOCKHOLDER MAY INSPECT THE GENERAL BOOKS AND RECORDS OF THE ASSOCIATION EXCEPT A STOCKHOLDER MAY NOT HAVE ACCESS TO THE LOAN AND SAVINGS RECORDS OF OTHER MEMBERS.]

* Sec. 2. AS 06.30.120 is amended to read:

Sec. 06.30.120. BOOKS AND RECORDS [PERTAINING TO MEMBERS' ACCOUNTS] TO BE KEPT CONFIDENTIAL. Except as provided in AS 06.30.115, the [THE] books and records pertaining to the accounts, [AND] loans, and voting rights of members, stockholders, savers, and borrowers shall be kept confidential by the association, its directors, officers and employees, and by the commissioner, his examiners and representatives, except where disclosure is compelled by a court of competent jurisdiction. Except as provided in AS 06.30.115, no [NO] person, including a member or stockholder may

[SHALL] have access to the books and records or [SHALL] be furnished [OR SHALL POSSESS] a partial or complete list of the members or stockholders except upon express action and authority of the board of directors.

* Sec. 3. AS 06.30.145(b) is amended to read:

(b) In a stock association each director shall own individually or jointly with his^{or her} spouse [IN HIS OWN RIGHT] free of any encumbrance capital stock of the association in an amount equal to at least \$1,000 in par value.

* Sec. 4. AS 06.30.500(3) is amended to read:

(3) Except for participation loans authorized under AS 06.30.530, no [NO] investment may be made in a conventional loan secured by a mortgage on a one-to-four family residence unless the mortgaged property is located inside the state.

* Sec. 5. AS 06.30.520 is amended to read:

Sec. 06.30.520. PROPERTY IMPROVEMENT AND CONSUMER LOANS. An association may make property improvement loans to property owners for maintenance, repair, modernization, improvement, and equipment of their properties. In addition, an association may make consumer loans. A property improvement or consumer loan may be made with or without security and may be secured by liens on real estate and mobile homes. An association may not make property improvement loans exceeding 25 percent of its assets or consumer loans exceeding 40 percent of its assets.

* Section 6. AS 06.05.235(a) is amended to read:

(a) Except as provided in (b) or (c) of this section it [IT] is unlawful for a company to own, control or hold with power to vote 25 percent or more of a class of voting securities or other [THE] capital stock of one or more state banks or domestic [STATE] bank holding companies subject to regulation under this chapter. [NOTHING IN THIS SUBSECTION PROHIBITS A COMPANY FROM QUALIFYING AS A BANK HOLDING COMPANY UNDER (b) OF THIS SECTION.] However, when it becomes a bona fide necessity to avoid loss for a creditor to accept shares of stock in one or more state banks or domestic bank

holding companies constituting more than 25 percent of the ownership or control of a state bank or domestic bank holding company in payment of indebtedness owing to the creditor, shares of stock may be accepted, but the shares of the one or more state banks or domestic bank holding companies exceeding that 25 percent shall be promptly disposed of under the supervision of the department.

* Sec. 7. AS 06.05.235(b) is amended to read:

(b) A domestic bank holding company, as defined in AS 06.05.540 and organized under AS 10.05, which maintains its principal office and place of business in the state and conducts its principal operations in the state, may acquire and own all or any portion of the voting securities [SHARES] or other capital stock of, or all or substantially all of the assets of, one or more banks or bank holding companies unless the bank is a recently formed bank. The department may require a domestic bank holding company to post a bond with the department in an amount equal to the paid-in capital and paid-in surplus represented by the proportion of state bank stock directly or indirectly owned, held, or controlled by it, under conditions the department may prescribe, to assure full protection of the public. The domestic bank holding company is subject to an examination by the department or a competent person designated by the department when the department considers it necessary, but not less than once each year. The domestic bank holding company shall pay an examination fee in accordance with AS 06.01.010.

* Sec. 8. AS 06.05.235(c) is amended to read:

(c) The department may adopt regulations for [BANK HOLDING] companies qualifying as domestic bank holding companies or out-of-state bank holding companies under (b) or (e) of this section to assure financially sound banking organization and practice.

* Sec. 9. AS 06.05.235 is amended by adding new subsections to read:

(e) An out-of-state bank holding company as defined in (h) of this section may acquire and own all or any portion of the

voting securities or other capital stock of, or all or substantially all of the assets of, one or more state banks, domestic bank holding companies, or national banks conducting a banking business in the state unless the state bank or national bank is a recently formed bank. To assure full protection of the public the department may require an out-of-state bank holding company that directly or indirectly owns, holds, or controls stock in a state bank or domestic bank holding company to post a bond with the department, under conditions the department may prescribe. The amount of the bond shall be equal to the product obtained by multiplying the amount of paid-in capital and paid-in surplus of the state bank or domestic bank holding company by the percentage of state bank or domestic bank holding company stock directly or indirectly owned, held, or controlled by the out-of-state bank holding company.

(f) When the department considers it necessary, an out-of-state bank holding company directly or indirectly owning, holding, or controlling state bank stock or domestic bank holding company stock is subject to an examination by the department or a competent person designated by the department. The out-of-state bank holding company shall pay an examination fee in accordance with AS 06.01.010.

(g) As used in this section a "recently formed bank" is a state bank or national bank conducting a banking business in the state that commenced that banking business in the state on or after July 1, 1982, and that has not been in existence and continuously operating in the state for a period of three years or more. However, the term "recently formed bank" does not include

(1) a bank organized solely for the purpose of facilitating acquisition of a bank that either has been in existence and continuously operating in the state as a bank for a three-year period, or was conducting a banking business in the state on or before June 30, 1982;

(2) a state bank that the department determines was not chartered directly or indirectly by an acquiring out-of-state bank holding company, and that does not have the capacity to

continue to conduct its business independently in a fashion consistent with the public interest and the interest of depositors, creditors, and shareholders; or

(3) a national bank that the Board of Governors of the Federal Reserve System, or their designee, determines was not chartered directly or indirectly by an acquiring out-of-state bank holding company, and that does not have the capacity to conduct its business independently in a fashion consistent with the public interest of depositors, creditors, and shareholders.

(h) As used in this section "out-of-state bank holding company" means a company that

(1) is a bank holding company as defined in the U.S.C. 1841, et seq.);

(2) is registered as a bank holding company with the Board of Governors of the Federal Reserve System, with the Federal Reserve Bank of the Federal Reserve District in which the operations of the bank holding company are principally conducted, or with a Federal Reserve Bank that the Board of Governors may designate;

(3) maintains its principal office and place of business outside the state; and

(4) principally conducts its banking operations through out-of-state banking subsidiaries, as measured by total deposits held or controlled by it on the date on which it becomes an out-of-state bank holding company;

(i) For the purpose of this section, a trust company organized under the laws of this state which is conducting a banking business shall be deemed to be a state bank.

* Sec. ~~10~~¹¹. This Act takes effect July 1, 1982.

Sec. 10 - take a section 7 of original bill, ^{(CSSB 752 (L+C) am)} insert here as new Section 10.

