



Legislative Background Brief

for the
Economic Affairs Interim Committee

May 2014

Commissioner of Banking and Financial Institutions and Division of Banking and Financial Institutions

Administrative Appointments: Commissioner of Banking and Financial Institutions appointed by the Director of the Department of Administration, who may consult with the Banking Board in hiring or terminating the commissioner, as provided by 32-1-211, MCA.

The Division of Banking and Financial Institutions is within the Dept. of Administration.

Exempt from State Classification and Pay Plan: Commissioner, per 2-18-103(16), MCA.

Duties: Administers through licensing, examinations, or regulation:

- the Bank Act, Title 32, chapter 1, parts 1 through 5, MCA;
- Building and Loan Associations, Title 32, chapter 2, MCA;
- the Montana Credit Union Act, Title 32, chapter 3, MCA;
- the Montana Consumer Loan Act, Title 32, chapter 5, MCA;
- the Electronic Funds Transfer Act, Title 32, chapter 6, MCA;
- Escrow Businesses, Title 32, chapter 7, MCA.
- the Montana Mortgage Act, Title 32, chapter 9, MCA;
- the Business and Industrial Development Corporation Act, Title 32, chapter 11, MCA;
- the Retail Installment Sales Act, Title 31, chapter 1, part 2, MCA; and
- the Deferred Deposit Loan Act, Title 31, chapter 1, part 7, MCA.

Goals as stated on the Division's website <http://banking.mt.gov/missiongoals.mcp>:

- Protect Montanans who enter into short-term, high-rate loans with lenders from abuses that occur in the credit marketplace;
- Protect Montanans with a safe and sound system of state-chartered financial institutions;
- Promote the dual regulatory system that allows state and federal governments to act independently to charter, regulate, and supervise financial institutions for the good of Montanans;
- Improve the distribution of information and services through web-based tools;
- Comply with current state and federal policies, procedures, and laws governing the regulation of financial institutions; and
- Create and maintain a highly qualified, professional, diverse, and responsive workforce.

Funding: State Special Revenue generated by assessments, application fees, and examination fees paid by regulated financial institutions.

	FY 2014 Budget	FY 2015 Budget
FTE	37 positions (LFD notes that vacancies have been a problem)	
State Special	\$3,669,759	\$3,668,375
Total	\$3,669,759	\$3,668,375

Topics of Interest:

- The dual regulatory system creates something of a tension in that states generally follow how the federal government charters and regulates federal banks, savings and loan associations, and credit unions, but sometimes there is a concern that federal regulators overstep their bounds into the area of state chartering and regulation of state banks, savings and loan associations (of which there are none in Montana), and state-chartered credit unions. Under 32-1-362, MCA, all the powers of a nationally chartered bank are extended to a state-chartered bank. The Division is currently processing an application for conversion from a nationally chartered savings and loan to a state-chartered bank and has recently completed the conversion of a nationally chartered credit union to a state-chartered credit union. There are 55 state-chartered banks and 8 state-chartered credit unions in Montana.
- Any state-related implementation of the Dodd-Frank Act, called one of the most comprehensive financial reform measures taken since the Great Depression by attorney firm Morrison-Foerster in a [summary](#).
- Continued merger and acquisition activity of state-chartered banks.
- The Division reports that total assessments on state-chartered banks will be reduced 25% for FY 2015, a move projected to save the banks \$750,000.
- Prospective licensing requirements for virtual currency businesses.

History:

The Legislature moved the State Banking Board to the Department of Administration in 2001 as part of a reorganization that transferred many of the regulatory functions out of the Department of Commerce to other departments.

The State Banking Board's main duty is to make a final determination regarding formation of a new bank. Other duties are to act in an advisory capacity on banking-related activities of the department and to review department decisions and hold hearings, upon request of the department or an applicant, on formation, closure, consolidation, merger, or sale of a bank or branch bank. The last posted minutes of the Board are for November 2011.

State Banking Board

Members/Address	Representing	Term Expires
Phil Gaglia, Billings	State Bank, large size	7/1/2015
Maureen Fleming, Missoula	Public representative	7/1/2014
Jack Johnson, Billings	Public representative	7/1/2015
Bart Langemeier, Red Lodge	National Bank, medium size	7/1/2016
Amy Rapp, Great Falls	Public representative	7/1/2016
Josh Webber, Denton	State Bank, small size	7/1/2014

Significant 2013 Legislation, all enacted:

- HB 63, Revise Retail Installment Sales Laws
- HB 65, Revise Consumer Loan Laws
- HB 116, Revise Deferred Deposit Loan Laws
- HB 117, Revise Escrow Regulation Laws
- HB 118, Repeal the Montana Title Loan Act
- HB 138, Generally Revise Bank Act Merger Provisions
- SB 61, Revise Bank Laws Pertaining to Derivative Transactions & Investment Securities
- SB 62, Revise Banking Laws Regarding Fiduciary Foreign Trust Companies
- SB 93, Revise Montana Mortgage Act

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