



Legislative Background Brief

for the
Economic Affairs Interim Committee

December 2015

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.

The Division's website <http://banking.mt.gov/> lists its goal as: Providing Montanans "with a safe and sound system of state-chartered financial institutions."

Budgets	Base FY 2014	Approp. FY 2015	FY 2016	FY 2017
<i>State Special</i>	\$3,598,490*	\$3,886,988*	\$4,331,272	\$4,269,191
<i>Total</i>	\$3,598,490*	\$3,886,988*	\$4,331,272	\$4,269,191

*For FY 2014, less than the previously reported amount of \$3,669,759, and for FY 2015 more than the \$3,668,376. The increases in the current biennium primarily are for higher personnel costs.

Funding

State special revenue funding for the division is based on fees assessed against the financial services that are regulated. Of note:

- the Division reduced total assessments on state-chartered banks:
 - by 25% for FY 2015, which the Division calculated as saving state-chartered banks \$750,000; and
 - by 50% for FY 2016, which the Division calculated as saving state-chartered banks \$1.5 million.
- a proposed rule issued July 30, 2015, would reduce by 50% the amount of renewal fees for mortgage brokers and related mortgage licensees. The 50% reduction for 2016, which is to expire on March 17, 2016, is said to "approximate needed expenditures for the year". The reduction in revenues is estimated at \$474,500.

Issues noted in past legislative sessions have included significant cash balances and high

staff turnover. The Legislative Fiscal Report for the 2017 Biennium said that as of November 2014 bank examiners were all above the minimum occupational wage range, one of the ways legislators are trying to help retain examiners whose skills are in demand.

Staffing

The legislature authorized 35.8 full-time equivalent positions for the 2017 Biennium. After the retirement of a deputy commissioner who had been with the Division almost 40 years, the Commissioner initiated a reorganization of the Division into bureaus. The 28-member staff listed on the Division's website in September included: 16 Bank Examiners (some of whom may have dual assignments), 2 mortgage examiners, 1 consumer finance/credit union examiner, 3 bureau chiefs (1 for credit unions, 1 administrative bureau chief who also manages compliance issues, and 1 nondepository institutions bureau chief), 1 bank analyst, 1 nondepository licensing specialist, 1 legal counsel, 1 legal assistant, 1 deputy commissioner, and 1 commissioner. Planned hires before the end of the calendar year would add two bank examiners, one credit union examiner, and one mortgage examiner.

Topics of Interest

- The Commissioner has established an advisory group in coordination with the Montana Bankers' Association and the Montana Independent Bankers' Association to look at prospective 2017 legislation to modernize banking statutes.
- 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, the powers of a nationally chartered bank extend to a state-chartered bank. Montana charters 50 state banks (five fewer than last year) and eight state credit unions.
- Changes facing financial institutions, including any in Montana that issue credit cards, with the switch to EMV (Europay, Mastercard, Visa) credit card technology and the revised liability issues attached to the switch.

History

Banking laws first took effect in Montana in 1927. Laws regulating credit unions went into effect in 1975, two years after the 1973 Legislature created a State Banking Board. The Division of Banking and Financial Institutions moved to its current home in the Department of Administration in 2001 as the Legislature that year reorganized the Department of Commerce, the former regulator, and moved many of its regulatory functions elsewhere.

The State Banking Board's main duty is to make a final determination regarding formation of a new bank. The board also acts as an advisor on banking-related activities and may review decisions and hold hearings, upon the request of the department or an applicant, on formation, closure, consolidation, merger, or sale of a bank or branch bank.

State Banking Board

Members/Address	Representing	Term Expires
Phil Gaglia, Billings	State Bank, large size	7/1/2018
Maureen Fleming, Missoula	Public representative	7/1/2017
Jack Johnson, Billings	Public representative	7/1/2018
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	7/1/2017

Significant 2015 Legislation

- HB 66, revising banking laws related to documents to be filed. Makes certain reports confidential. In effect 10/1/2015. Requested by the Banking and Financial Institutions Division.
- HB 550, revising credit union laws. In effect 10/1/2015.
- SB 53, revising credit union laws regarding directors, operations. In effect 10/1/2015. Requested by the Banking and Financial Institutions Division.
- SB 75, revising laws related to nondepository lenders, both deferred deposit lenders and consumer lenders. In effect 10/1/2015. Requested by the Banking and Financial Institutions Division.
- SB 98, revising Montana's mortgage laws. Clarifies definitions and activities related to personnel involved in mortgages. In effect 10/1/2015. Requested by the Banking and Financial Institutions Division.