



One Hundred First Legislature - Second Session - 2010
Introducer's Statement of Intent
LB 890

Chairperson: Rich Pahls
Committee: Banking, Commerce and Insurance
Date of Hearing: January 26, 2010

The following constitutes the reasons for this bill and the purposes which are sought to be accomplished thereby:

LB 890 is a bill introduced at the request of the Nebraska Department of Banking and Finance. Its primary purpose is to update the laws relating to financial institution application notices and penalties for violations of the bank lending limit; to provide a definition of capital for mutual banks; to provide an additional exception for change of control filings, and for the annual renewal of the three depository financial institution wildcard statutes; and to authorize enforcement powers for the department regarding insiders of bank holding companies.

Sections 1, 4, 7, 9, and 13 would revise the laws which require the Department of Banking and Finance, upon receipt of applications for charters and branch offices filed by banks, savings and loan associations, trust companies, and credit unions, to send notice of the filing to all other financial institutions located in the county where the charter or branch office would be located. LB 890 would allow financial institutions which have more than one office in the county or a main office in another county to designate one office where the notices are to be sent. Sections 9 and 13 are further amended to make the notice process for savings and loan associations and credit unions uniform with the process adopted for banks in recent legislation.

Section 2 would amend section 8-142 of the Nebraska Banking Act to provide for increased penalties for violations of the lending limit. The penalties are scaled to the loss which the bank incurs or the amount by which the violation exceeds the lending limit.

Section 3 would amend section 8-143 of the Nebraska Banking Act to update language relating to persons who can be held responsible for violations of the lending limit.

Section 5 would amend section 8-183.04 of the Nebraska Banking Act to provide that the calculation and type of capital necessary for mutual banks shall be the same as required for federal mutual savings associations under 12 CFR part 567, unless the Department of Banking and Finance determines the capital is impaired.

Sections 6, 8, and 14 respectively re-enact the wildcard statutes for banks, savings and loan associations, and credit unions. Sections 8-1,140, 8-355, and 21-17,115 provide parity between

state-chartered depository financial institutions and their federal counterparts, as of January 1, 2010. The laws must be re-enacted on an annual basis due to the Nebraska Constitution. Section 10 would revise section 8-908 of the Nebraska Banking Holding Company Act of 1995 to incorporate new section 11 into the Act.

Section 11 would adopt a new law to provide the Department of Banking and Finance with the authority to take corrective administrative action when a bank holding company's officer or director is engaging in acts detrimental to the bank holding company or a subsidiary bank. Corrective action would include, but not be limited to, removal of such persons from their positions and imposition of fines.

Section 12 would amend section 8-1502 to provide an exception to the requirement that the prior approval of the Department of Banking and Finance is required for a change of control of banks and trust companies for situations where individual owners create a trust for estate planning purposes provided certain requirements are met, including prior notice to the department.

Sections 15, 16, and 17 are the enactment date and amendatory repeal provisions for the bill.

Section 18 provides the emergency clause for sections 6, 8, and 14, which are the wildcard re-enactments.

Principal Introducer:

Senator Rich Pahls