

January 30, 1989

LB 296, 321

PRESIDENT: Thank you. Senator Conway, please. Would you like to close, Senator Abboud? Okay, the question is the advancement of LB 296. All those in favor vote aye, opposed nay. Record, Mr. Clerk, please.

CLERK: 27 ayes, 0 nays, Mr. President, on the advancement of 296.

PRESIDENT: LB 296 is advanced to E & R Initial. LB 321, please.

CLERK: Mr. President, LB 321 offered by the Banking, Commerce and Insurance Committee and signed by its members. (Read title.) The bill was introduced on January 10, referred to the Banking Committee, advanced to General File. I have no amendments to the bill, Mr. President.

PRESIDENT: Senator Landis, please.

SENATOR LANDIS: Mr. President and members of the Legislature, this is the first of two bills in a row, brought to us by our Banking Department. Currently, an officer of a bank may not borrow from the bank without going on record at a Board of Directors' meeting as to the loan itself. Now, that's also true of a company that the officer has a controlling interest in. So if the officer has a controlling interest in another business, that business can't get a loan from the bank that this bank officer is in charge of without going on the record and making a special loan through the Board of Directors in a special vote that creates the authority to make the loan. Why do we do that? Well, we do it to keep a clear paper trail to monitor loans that are made pursuant to this special authority you have as a bank officer to make sure that there aren't a series of hidden insider loans. Now we allow the loans to be written if the board approves them, if they do it and put it on the record of the minutes of the board because, well, frankly, in many cases in a small town there is only one source of capital and that's the bank, and it's quite possible that the bank officer might have an interest in some farmland, let's say, or they might have an interest in another piece of business in the community. So we allow the loan to be made but we make sure that it's easy to monitor by putting it on the records of the bank. Well, the Banking Department has come to us and said, you know, we have done that for an officer of the bank but we ought to also do that for a director, somebody who is sitting on the board of