

# House Financial Institutions Committee

## Legislative Briefing

*Testimony of:*

Randall S. James

Banking Commissioner

Texas Department of Banking

*February 17, 2003*

# Significant Bills of the 77<sup>th</sup> Legislature

**HB 2155 Amended Texas law to address issues of the Gramm-Leach-Bliley Act of 1999.**

- ✓ **Allows state-chartered banks to engage in activities that are “financial in nature”.**
- ✓ **Permits state-chartered banks to open offices without regulatory approval if nondepository financial products are sold.**
- ✓ **Enhances the state bank charter, by allowing state banks to conduct activities beyond what a national bank is allowed, under certain conditions.**
- ✓ **Endorses the concept of functional regulation.**
- ✓ **Requires confidentiality of shared information between the Department of Banking and other agencies.**

# Significant Bills of the 77<sup>th</sup> Legislature

- SB 626**      **Better protects the rights of an innocent lienholder from civil asset forfeiture if the lienholder had no reason to believe the property was contraband and did not purposefully avoid learning that it was contraband.**
- HB 1166**      **The Sale of Checks Act now applies to internet funds transfers, on-line bill payments, and other types of electronic funds transactions.**
- HB 2812**      **Part of the state's continuing statutory revision and codification. This bill codifies the Texas Trust Company Act.**

# Significant Bills of the 77<sup>th</sup> Legislature

**SB 314**    **Sunset bill that continues the Department of Banking for another 12 years. Also...**

- ✓ **Requires that “on us” checks cashed by banks be paid at par. (The 5th Circuit Court of Appeals ruled on February 5, 2003, that this provision is preempted by federal law.)**
- ✓ **Addresses issues relating to prepaid funeral contracts including: requiring plain written language; increasing contract cancellation benefits; and allowing contract modification under certain conditions.**
- ✓ **Provides for a number of changes relating to perpetual care cemeteries including: providing the Finance Commission with rulemaking authority; prohibiting the burial of murderers near their victims; and improving the Department’s examination authority.**

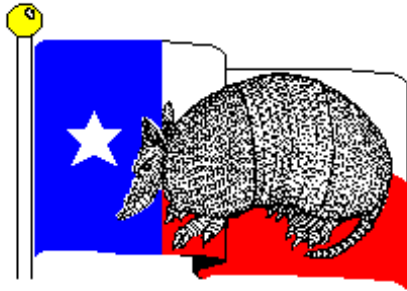
# Significant Bills of the 77<sup>th</sup> Legislature

**HB 1763**    **Sunset bill that continues the Finance Commission of Texas for another 12 years. Also...**

- ✓ **Stipulates that the Finance Commission is no longer a state agency but instead is a policy-making body.**
- ✓ **Changes the composition of the Finance Commission as current member terms expire.**

# Issues of the 78<sup>th</sup> Legislature

- ★ **The Department of Banking has no legislative initiatives for this session.**
  
- ★ **Anticipated bills or issues that will affect banking and perpetual care cemetery providers that may be sponsored or proposed by others:**
  - ✓ **Home Equity Lending - Regarding rulemaking authority and a “safe harbor” for lenders.**
  - ✓ **Predatory Lending – Regarding rate limits and consumer protection notices.**
  - ✓ **Perpetual Care Cemetery Providers – Regarding increased rates.**
  - ✓ **Customer Identification – Regarding the use of the magnetic strip on Texas driver’s licenses to help detect fraudulent identification.**
  - ✓ **Privacy – Regarding institutions’ sharing of personal financial information with nonaffiliates without consumers’ prior approval, also referred to as “opting in”.**



# State-Chartered Banking *Profile of Regulated Entities*

Regulated Entity	Number of Entities	Total Assets \$(millions)
Commercial Banks*	350	\$ 102,993
Foreign Bank Agencies	9	32,121
Trust Companies	26	31,284
Prepaid Funeral Licensees	429	2,445
Perpetual Care Cemeteries	231	162
Sale of Checks Licensees	62	593,604
Currency Exchange Licensees	78	33
<b>Totals</b>	<b>1,185</b>	<b>\$762,642</b>

Information as of September 2002  
 \*Includes all State Banking Activity.



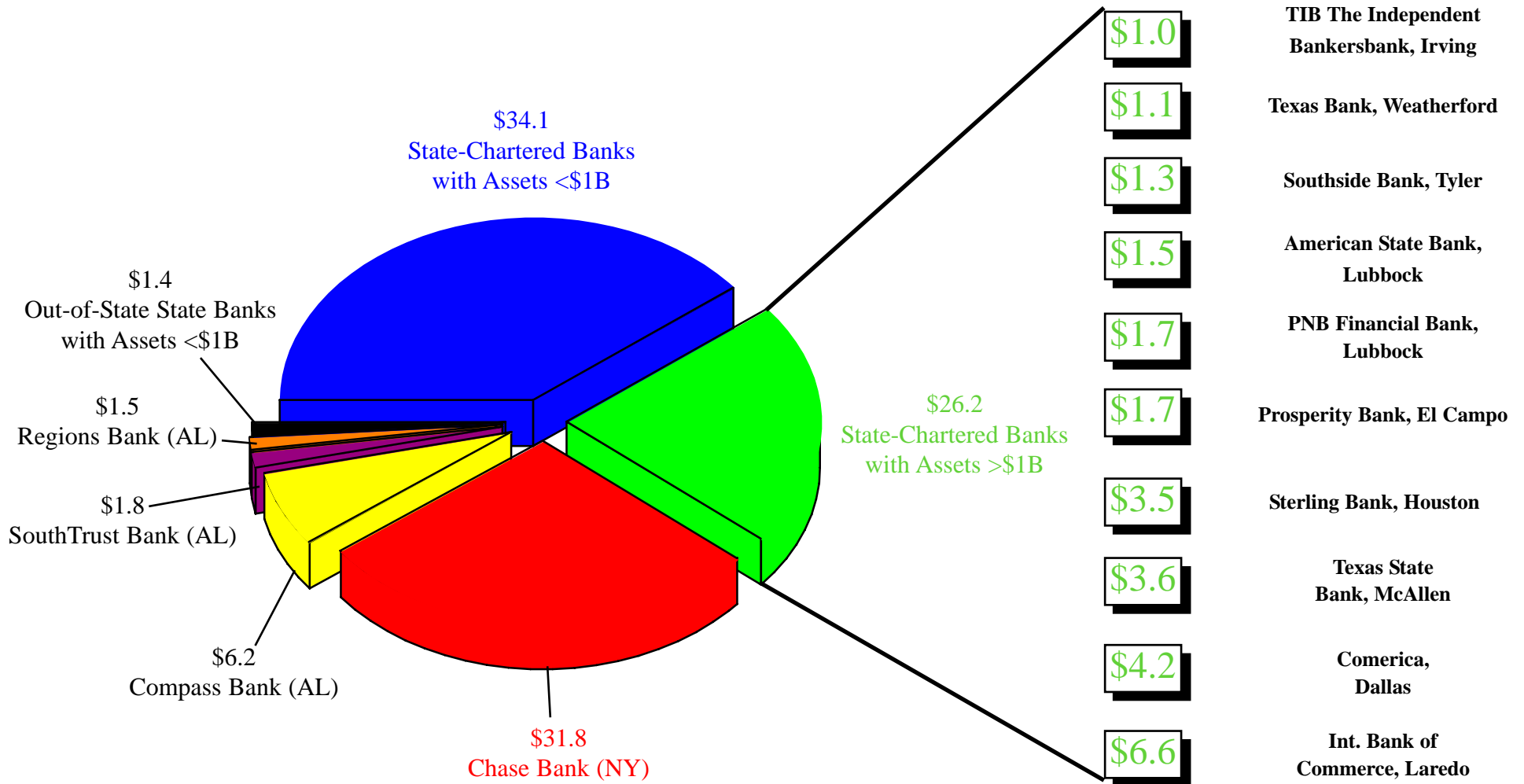
# Profile of Banking in Texas

	State	National	Total
<b>Charters</b>	350	341	691
<i>Out-of-State Chartered*</i>	10	8	18
<b>Assets</b>	\$104.0B	\$144.3B	\$247.3B
<i>Out-of-State Chartered*</i>	\$42.7B	\$53.4B	\$96.1B
<b>Deposits</b>	\$ 90.9B	\$130.1B	\$221.0B
<i>Out-of-State Chartered*</i>	\$42.7B	\$53.4B	\$96.1B
<b>Avg. Capital Ratio</b>	9.9%	10.2%	

Information as of September 2002. \*Indicates amount included in preceding total.  
See Page 6 for information about out-of-state bank totals.



# Texas State Bank Companies with Assets Exceeding \$1B September 2002



Information is from call reports and in \$billions. Totals represent assets of all banks doing business in Texas within each company. Figures for banks chartered out-of-state derived from FDIC - Summary of Deposit tables as of June 2001

# Texas Banking Profile

All State Banking Activity in Texas (Updated as of December 12, 2002)  
Total Assets and Deposit numbers are in Millions

Bank Name (Number)	Home State	Effective Date	Number of Branches	Total Assets <sup>(1)</sup>	Total Deposits <sup>(1)</sup>
State Banks Chartered in Texas (350)	Texas	9/30/2002	1007	\$60,328	\$48,195
Texas Branches of: <sup>(2)</sup>					
Regions Bank, Birmingham	Alabama	8/27/1998	40	1,489	1,489
Colonial Bank, Montgomery	Alabama	9/17/1998	9	440	440
Compass Bank, Birmingham	Alabama	10/23/1998	120	6,175	6,175
SouthTrust Bank, Birmingham	Alabama	11/30/1998	52	1,800	1,800
Banco Popular, New York City	New York	1/1/2000	6	141	141
JPMorgan Chase Bank, New York City	New York	8/1/2000	138	31,765	31,765
Bancorp South Bank, Tupelo	Mississippi	8/31/2000	16	495	495
First Bank & Trust, San Francisco	California	10/31/2000	8	335	335
Cathay Bank, Los Angeles	California	12/11/2000	0	3	3
Americrest Bank, Oklahoma City	Oklahoma	12/11/2000	0	22	22
<b>Subtotal</b>			<b>1,396</b>	<b>102,993</b>	<b>90,860</b>
<b>National Banks Chartered in Texas (341)</b>					
	Texas	6/30/2002	2,118	\$88,281	\$74,988
Texas Branches of: <sup>(2)</sup>					
Bank of America, Charlotte	North Carolina	5/6/1998	476	29,463	29,463
Hibernia National Bank, New Orleans	Louisiana	1/1/1999	36	1,436	1,436
Union Planters Bank, Memphis	Tennessee	1/31/1999	18	540	540
Whitney National Bank, New Orleans	Louisiana	10/6/2000	7	430	430
First National Bank, Waupaca	Wisconsin	10/7/2000	3	132	132
First National Bank, Omaha	Nebraska	12/15/2000	1	21	21
Bank One, Chicago	Illinois	2/8/2001	207	20,457	20,457
United National Bank, San Marino	California	2/8/2002	0	2	2
Less: Out of State Branches <sup>(3)</sup>	Texas	1/1/1997	NA	-321	-321
<b>Subtotal</b>			<b>2,866</b>	<b>\$140,441</b>	<b>\$127,148</b>
<b>Totals for 691 banks operating in Texas</b>			<b>4,262</b>	<b>\$243,434</b>	<b>\$218,008</b>

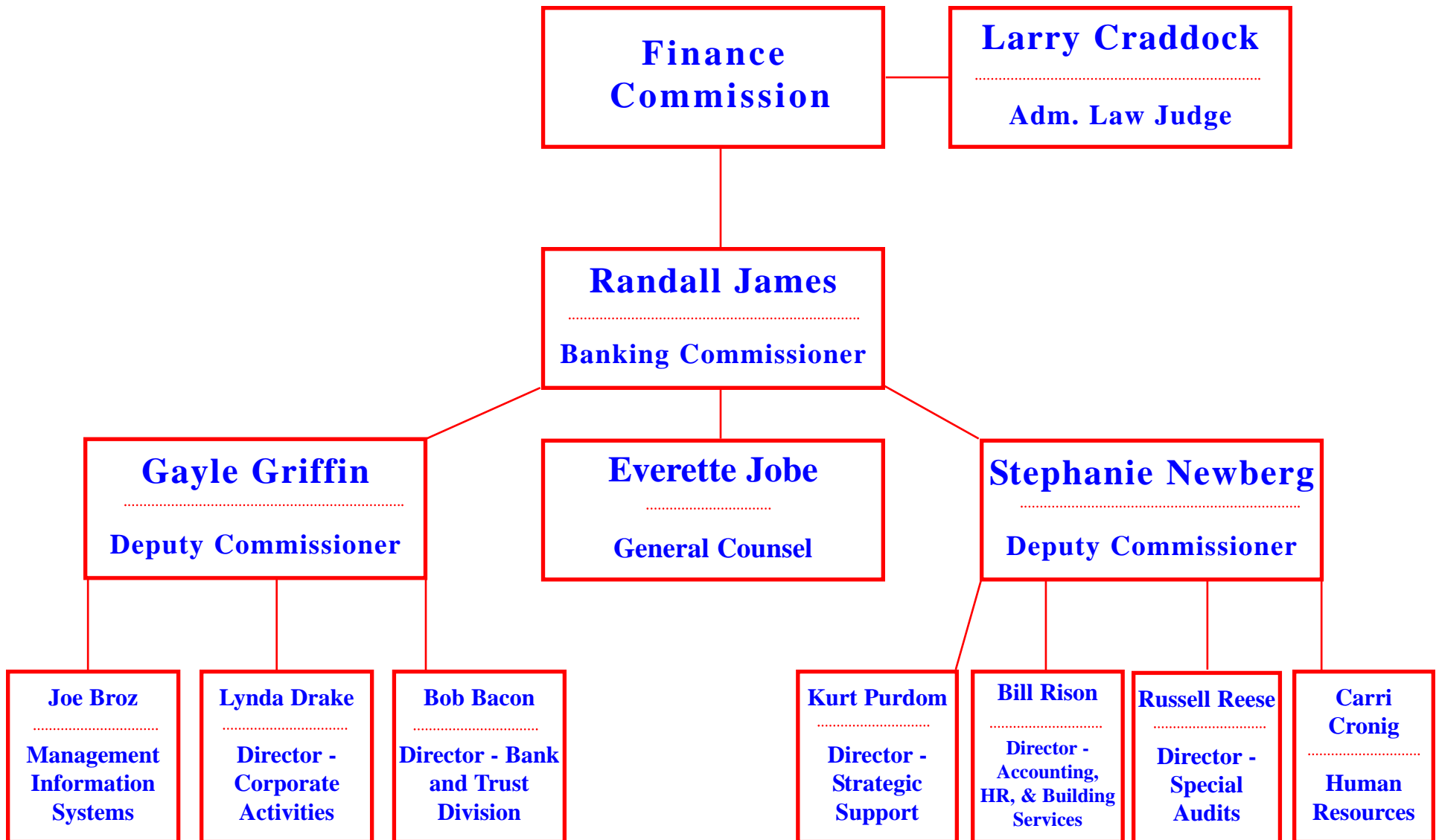
<sup>(1)</sup>Derived from the FDIC call report database.

<sup>(2)</sup>Asset amounts of Texas branches of Non-Texas chartered banks mirrors deposit amounts from FDIC Summary of Deposit (SOD) reports as of June 2002.

<sup>(3)</sup>Indicates those assets and deposits in other states of Texas chartered banks (deducted from totals to arrive at net Texas numbers).

# Texas Department of Banking Organization Chart

February 2003



**TEXAS DEPARTMENT OF BANKING  
HOUSE FINANCIAL INSTITUTIONS COMMITTEE  
2004-2005**

**SUPPLEMENTAL INFORMATION**

**1. Staffing Levels by Strategy – As of February 6, 2003**

STRATEGY	Financial Examiners	Administrative and Support	TOTAL	Revenue	Percent of Total
Bank Examination	83	44	127	\$9,973,000	78.9%
Non-Bank Examination	13	8	21	\$1,943,000	15.4%
Application Processing	3	2	5	\$415,000	3.3%
Regulatory Oversight	0	1	1	\$120,000	<1%
Federal Funds*	--	--	--	\$88,000	<1%
Miscellaneous*	--	--	--	\$104,000	<1%
<b>TOTALS</b>	99	55	154	\$12,643,000	100.0%
<b>TURNOVER</b>					
Fiscal YTD	2.0%	7.2%	3.8%		
Fiscal Year 2002	11.2%	20.0%	14.6%		
Fiscal Year 2001	21.7%	20.0%	21.0%		

**TEXAS DEPARTMENT OF BANKING  
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**SUPPLEMENTAL INFORMATION  
(CONTINUED)**

- 2. Alternating Examination Agreements** – Interagency agreements have been executed with the Federal Deposit Insurance Corporation and Federal Reserve Bank of Dallas to alternate examinations of commercial banks and conduct joint examinations of large or problem institutions. Requested reductions in appropriations will render the Department unable to fulfill its obligations under these agreements.
- 3. Personnel Expenditures** – The agency’s expenditures are primarily personnel related. The agency does not have a great deal of latitude in reducing nonessential expenditures since salaries and other personnel costs and travel related expenses (primarily to conduct examinations) represent 82% and 9.5%, respectively, of the agency’s expenditures. As part of this component, the Finance Commission on October 18, 2002, requested activation of Contingency Rider #3 which allowed the hiring of an additional 10 financial examiners. Full funding of this rider was not continued into fiscal years 2004 and 2005, which will cause even greater pressure on the agency to either reduce staff or salaries in these fiscal years.