

Legislative Analysis



FINANCIAL INSTITUTIONS: EMERGENCY CLOSING

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House Bill 4976 (Substitute H-1)

Sponsor: Rep. Jeff Mayes

Committee: Banking and Financial Services

First Analysis (1-24-06)

BRIEF SUMMARY: Public Act 232 of 1978, among other things, permits banks and savings and loan associations to suspend business in the event of an existing or impending emergency. The bill would expand the act's provisions to apply to other financial institutions. Under the bill, "financial institution" would mean a state chartered bank, savings bank, credit union, or savings and loan association over which the commissioner of the Office of Financial and Insurance Services (OFIS) has regulatory authority.

FISCAL IMPACT: There is no fiscal impact on the State of Michigan or its local units of government.

THE APPARENT PROBLEM:

While Public Act 232 of 1978 provides for suspending the business of banks and savings and loan associations in the event of an existing or impending emergency, it does not provide for suspending the business of savings banks and credit unions. Also, the definition of "emergency" in the act does not include fuel shortages or actual and threatened terrorist attacks. Legislation has been introduced to expand the statute to allow for closure of all financial institutions.

THE CONTENT OF THE BILL:

Public Act 232 of 1978, among other things, permits banks and savings and loan associations to suspend business in the event of an existing or impending emergency. The bill would expand the act's provisions to apply to other financial institutions. Under the bill, "financial institution" would mean a state chartered bank, savings bank, credit union, or savings and loan association over which the commissioner of the Office of Financial and Insurance Services (OFIS) has regulatory authority. The bill would make the following changes (at MCL 487.941 et al.) to the act:

*Replace references to "banks and savings and loan associations" with "financial institutions."

*Revise the definitions of "office" (a place at which a financial institution transacts its business or conducts operations related to its business) and "officer" (a person designated by the board of directors of a financial institution to carry out this act).

*Add "terrorist attack" to the list of events that may constitute an emergency.

*Delete a provision allowing the governor to authorize banks and associations, in connection with a day of national mourning, rejoicing, or other special observance, to close on a day the governor designates. The commissioner of the OFIS would still have the authority to close financial institutions on a day designated by the president of the United States or the governor for such observances.

*Clarify a provision authorizing a designated officer of a financial institution to close or not to open one or more offices of the institution if he or she determined that an emergency existed even if the commissioner had not made such a determination.

*Add a provision that a financial institution that closes or does not open an office or offices under an emergency determination would reopen as soon as the chief executive officer (CEO) or other designated officer determines that the emergency has ended or as authorized or ordered by the commissioner of OFIS.

*Make several non-substantive, editorial changes for clarification.

BACKGROUND INFORMATION:

A similar bill (House Bill 6329, sponsored by Rep. Hummel) passed the House in the 2001-02 legislative session.

ARGUMENTS:

For:

According to the Office of Financial and Insurance Services (OFIS):

The bill would fill a void in current law by permitting all types of depository financial institutions to suspend business operations in the event of an emergency. The law now provides for such suspensions only for banks and savings and loan associations. In addition, the definition of emergency in the current law does not include fuel shortage or terrorist activity. Adding such events better reflects the realities in the 21st Century.

Response:

Some people question whether the bill is necessary and have questioned whether there have been any instances where savings and loan or credit unions could have utilized the provisions in the bill within the past five years. Don't federal regulations currently provide for a regionalized declaration of emergencies?

POSITIONS:

Office of Financial and Insurance Services supports the bill. (1-18-06)

Legislative Analyst: E. Best
Fiscal Analyst: Richard Child

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.