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F I S C A L   I M P A C T   R E P O R T

SPONSOR Fidel **DATE TYPED** 02/07/05 **HB**

SHORT TITLE Lower State Bank Diversification **SB** 509

ANALYST Ford

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
			NFI		

(Parenthesis ( ) Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Regulation and Licensing Department (RLD)
Public Regulation Commission (PRC)

SUMMARY

Synopsis of Bill

Senate Bill 509 lowers the state bank diversification requirement by raising the maximum amount a bank can loan to a single borrower from 20% of capital and surplus to 35%.

OTHER SUBSTANTIVE ISSUES

Diversification requirements exist to help ensure that state banks remain solvent. Reducing diversification requirements increases the risk that a bank will become insolvent.

According to RLD, the bill will make state chartered banks more competitive as they would be able to lend more money to a single borrower. The corresponding limit for federally chartered banks is 25%.

RLD further notes that this bill could improve economic development by allowing state banks to loan more money in their communities to a single borrower.

EF/njw