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**FISCAL IMPACT STATEMENT**

**LS 6447**

**BILL NUMBER:** HB 1179

**NOTE PREPARED:** Apr 18, 2005

**BILL AMENDED:** Apr 8, 2005

**SUBJECT:** Department of Financial Institution Matters.

**FIRST AUTHOR:** Rep. Burton

**FIRST SPONSOR:** Sen. Paul

**BILL STATUS:** Enrolled

**FUNDS AFFECTED:**    **GENERAL**  
                          **X DEDICATED**  
                          **FEDERAL**

**IMPACT:** State

**Summary of Legislation:** The bill specifies that Federal Reserve Regulation W applies to a nonmember bank or trust company. The bill establishes procedures for industrial loan and investment companies consistent with those for commercial banks. The bill allows credit unions to offer health savings accounts. The bill requires state chartered credit unions to submit call reports quarterly, instead of semiannually. The bill revises loan procedures and lending limits for certain loans by state chartered credit unions.

The bill specifies that the Director of the Department of Financial Institutions (the Department) may hire independent contractors to assist with examinations. The bill extends the exemption from certain state laws preempted by federal law to subsidiaries of state chartered financial institutions. The bill allows the Department to exercise certain enforcement powers jointly with federal regulators. The bill allows the Director of the Department to make a temporary appointment to fill a vacancy on an institution's board of directors under certain circumstances.

The bill allows periodic premiums for consumer credit insurance on certain revolving accounts to be calculated by applying the premium rate to the amount of the insurance benefit for the cycle. The bill specifies that, for purposes of the statute governing the transfer of securities upon the death of the owner, a security account includes an investment management account or custody account with a corporate fiduciary or certain financial institutions with trust powers.

The bill requires the Department to develop proposed legislation concerning electronic banking. The bill allows a payroll savings plan administrator to receive reimbursement on certain static balances. The bill provides that a person who purchases or is assigned a high cost home loan is not subject to certain claims and defenses.

**Effective Date:** Upon passage; July 1, 2005.

**Explanation of State Expenditures:** *Department of Financial Institutions:* Under the bill, the Department would be charged with several additional administrative responsibilities, including enforcement capabilities, and the option to hire independent contractors. The bill does not make an appropriation to cover the potential costs of hiring contract employees.

The funds and resources required above could be supplied through a variety of sources, including the following: (1) existing staff and resources not currently being used to capacity; (2) existing staff and resources currently being used in another program; (3) authorized, but vacant, staff positions, including those positions that would need to be reclassified; (4) funds that, otherwise, would be reverted; or (5) new appropriations. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions.

*Report on Electronic Banking:* Under the bill, the Department would be required to report to the General Assembly findings and recommendations for proposed legislation on electronic banking in Indiana. The report would have to be made no later than November 1, 2005. The Department reports that the report could be completed within the Department's existing resources.

*Background:* The Department of Financial Institutions was appropriated \$6.56 M in dedicated funds for FY 2005. As of September 2004, the Department employed 72 full-time and 6 intermittent personnel.

**Explanation of State Revenues:** *Payroll Savings Plans:* Under the bill, a payroll savings plan administrator would be allowed to receive reimbursement of \$1 per month on the balance of a person's savings bond purchase plan account. The reimbursement fee of \$1 would only be allowed to be collected on accounts that are not receiving allotments via a person's payroll deduction, the plan has not been terminated, and the total amount in the plan is \$50 or less. The reimbursement would not apply to accounts that would be reported to the state under state unclaimed property law (IC 32-34-1-26.)

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of Financial Institutions; Attorney General.

**Local Agencies Affected:**

**Information Sources:** State of Indiana HRM Detail Staffing Report, September, 2004; State Budget Agency: *FY2004 General and Rainy Day Fund Summaries*; State of Indiana: *List of Appropriations July 1, 2003, to June 30, 2005*; Phil Goddard, Department of Financial Institutions.

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