

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0990-05
Bill No.: Truly Agreed To and Finally Passed HCS for SS for SCS for SB 346
Subject: Banks and Financial Institutions; Business and Commerce; Education, Higher;
Credit Unions; Fees; Liens; Mortgages and Deeds; Savings and Loan; Insurance -
General; Treasurer, State
Type: Original
Date: May 16, 2003

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
General Revenue	\$30,000,000	\$0	\$0
Total Estimated Net Effect on General Revenue Fund	\$30,000,000	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Unclaimed Funds*	\$0	\$0	\$0
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0

***Offsetting transfers in and out of Unclaimed Funds are estimated to be \$30,000,000**

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development - Divisions of Finance and Credit Unions, Department of Higher Education, Department of Revenue, and the Office of Secretary of State - Uniform Commercial Code Division and Securities Division** stated this proposal would have no fiscal impact on their agencies.

Section 59.321

In response to a similar proposal, officials from the **County Employees' Retirement System** estimated additional revenues of \$100,000 annually. However, an official from the **Boone County Recorder of Deeds** indicated the revenues generated as a result of this section of the proposal would only replace lost revenues due to repealing portions of Section 400.9-525

An official from the **Boone County Recorder of Deeds** further reported that this is "clean up" legislation with no fiscal impact on local offices. There may be costs to locals for computer program changes, but those should be minimal and can be absorbed.

Section 447.510.3

Officials from the **Department of Insurance** indicated this portion of the proposal would have

no impact on their agency and deferred to the Office of State Treasurer for an estimate of funds
ASSUMPTION (continued)

that may be turned over as unclaimed property from insurance companies.

Officials from the **Office of State Treasurer (STO)** indicated there would be a \$30 million positive fiscal impact in FY 2004 for the demutualization language in this section. This would come from insurance companies that have already demutualized over the last five years. The funds already exist withing the insurance companies; the addition of this language would accelerate the remittance of these funds.

<u>FISCAL IMPACT - State Government</u>	FY 2004	FY 2005	FY 2006
GENERAL REVENUE			
<u>Income</u> - Transfer from Unclaimed Funds (Section 446.510.3)	\$30,000,000	\$0	\$0
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$30,000,000</u>	<u>\$0</u>	<u>\$0</u>
UNCLAIMED FUNDS			
<u>Income</u> - Unclaimed Funds from Insurance Companies (Section 447.510.3)	\$30,000,000	\$0	\$0
<u>Transfer Out</u> - Transfer to General Revenue	(\$30,000,000)	\$0	\$0
ESTIMATED NET EFFECT ON UNCLAIMED FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses could see a positive fiscal impact as a result of this proposal by reducing the filing fee for electronically submitted filings in Uniform Commercial Code. Small business could be fiscally impacted due to the increase in returned check fees.

DESCRIPTION

This proposal makes several changes to laws relating to banking:

Section 30.270

Out-of- state municipal bonds, provided such bonds are rated in the highest category by at least one nationally recognized statistical rating agency, are added to the list of acceptable securities that may be used as security for safekeeping of state funds.

Section 59.163

Gives priority to Article 9 securities over liens on deeds of trust and other instruments affecting real property, in first classification counties which have two recorders' offices, for the time period from June 30, 2001 to August 28, 2003.

Section 59.321

Adds \$1 to the \$5 additional recording fee that recorders charge for every deed or other document regarding real property recorded. Also adds \$1 to the recording fee for marriage certificates, birth certificates, and official bonds required by law. Additional moneys are to be sent to the county employees' retirement fund or to the general revenue fund of charter counties without a county employees' retirement fund.

Section 173.387; 173.390

Allows the Missouri Higher Education Loan Authority (MOHELA) to originate PLUS loans (Parent Loans for Undergraduate Students) and increases the term of the bonds the loan authority may sell from 30 years to 40 years.

Section 306.410

New certificates of title issued for an outboard motor, motorboat, vessel, or watercraft that have a change in lienholder will be mailed to the owner rather than first lienholder.

Section 361.130; 361.140; 361.170

Allows the Division of Finance to obtain information filed federal regulatory agencies, rather than requiring banks to file reports of condition directly with the division.

DESCRIPTION (continued)

Section 361.160

Allows the division access to the work papers used in a certified public accountant's audit of a bank and requires the certified public accountant to maintain these records for three years after the report to the bank is issued.

Section 362.105

Requires banks to get prior approval from the division when the bank seeks to purchase real property for an amount that exceeds its loan limit or when the bank seeks to purchase property from an officer, shareholder, or other person with a similar relationship to the bank.

Section 362.106

A nondepository trust company, as well as a bank or trust company, is not authorized to own or operate, directly or through a subsidiary company, a real estate brokerage company.

Section 362.295

In lieu of required direct filing of reports of condition, the Director of Finance may accept reports of condition or their equivalent as filed with federal regulatory agencies.

Section 362.111

Prohibits the division and the State Banking Board from setting conditions or requirements on deposit account fees or service charges assessed by financial institutions that are more restrictive than those allowed by federal law.

Section 362.170

For purposes of lending limitations, goodwill may comprise no more than ten percent of "unimpaired capital" as defined in this section.

Section 362.910

Defines the business entity called "trust holding company".

Section 362.923

Sets forth a process for establishing the entity under state law; clarifies that these entities will not be subject to Federal Reserve examination; requires any acquisition of a nondepository trust company by a trust holding company to be first approved by the division; allows the division to

pursue joint actions and investigations of trust holding companies with other state and federal regulatory authorities.

DESCRIPTION (continued)

Sections 364.030; 364.105; 365.030; 367.140; 367.509; 408.500

Allows the Division of Finance to issue biennial consumer credit licenses for the following:

- 1) Financing institutions, excepting those listed in Section 364.030;
- 2) Premium finance companies;
- 3) Sales finance companies;
- 4) Lender certificates of registration;
- 5) Title loan license applicants; and,
- 6) Lenders, other than banks, trust companies, credit unions, savings banks and savings and loan companies, that are in the business of making unsecured loans of five hundred dollars or less.

One-half of the fees would be paid at the time of licensing and the remaining balance one year later.

Section 369.159 & 370.171

An association or a credit union may impose fees or service charges on account; however, such fees or service charges are subject to conditions or requirements that may be fixed by regulations pursuant to Section 369.301. No such condition or requirement shall be more restrictive than the fees or service charges on deposit accounts or similar accounts permitted any federally chartered depository institution.

Section 400.9-525 (a) & (b)

Allows electronic filing with the Office of the Secretary of State of certain filings of initial financing statements and establishes a \$5 fee for these filings.

Section 400.9-525 (f)

Abolishes the Uniform Commercial Code Transition Fee Trust Fund.

Section 407.433

Provides that no person, other than the cardholder, shall disclose more than the last five digits of a credit card or debit card account number on any sales receipt provided to the cardholder.

Section 408.140

Modifies the allowable charge for a late payment of an installment or minimum payment to \$15 or an amount not to exceed 5% of each installment or minimum payment due, whichever is greater, not to exceed \$50. Currently, the allowable charge is \$25 or an amount not to exceed 5% of each installment or minimum payment due, whichever is less.

DESCRIPTION (continued)

Increases the allowable handling fee an institution may charge for processing a refused instrument from \$15 to \$25.

Section 408.233

The default charge on any second mortgage loan for any payment not paid in full within 15 days of its scheduled due date is modified to \$15 or an amount not to exceed 5% of each installment or minimum payment due, whichever is greater, not to exceed \$50. Currently, the allowable charge is \$25 or an amount not to exceed 5% of each installment or minimum payment due, whichever is less.

A lender on a second mortgage loan is authorized to increase a handling fee for processing a refused instrument from \$15 to \$25.

Section 408.455

Allows creditors to convert a contract into a different loan contract or a times sales agreement when the debtor requests an extension of credit or refinancing.

Sections 408.450; 408.460; 408.465; 408.467; 408.470 (REPEAL)

Repeals several sections of law setting forth requirements and restrictions on variable-rate unsecured loans.

Sections 408.653 & 408.654 (REPEAL)

Repeals the limit on fees that financial institutions may charge for check overdrafts.

Section 447.510

Property distributable in the course of a demutualization, rehabilitation, or related organization of an insurance company is deemed abandoned two years after the date the property is first distributable if, at the time of the first distribution the last known address of the owner on the books and records of the holder is known to be incorrect, or the distribution or statements are returned by the post office as undeliverable and if the owner has not communicated in writing with the holder or its agent regarding the property or otherwise communicated with the holder regarding the property as evidenced by a memorandum or other record on file with the holder or

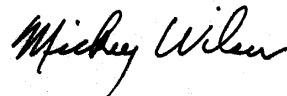
its agent..

Effective date for Sections 59.321 and 400.9-525 is September 1, 2003.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development
 Division of Finance
 Division of Credit Unions
Department of Higher Education
Department of Revenue
Office of Secretary of State
 Uniform Commercial Code Division
 Securities Division
Boone County Recorder of Deeds
County Employees' Retirement System
Office of State Treasurer
Department of Insurance



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Director
May 16, 2003