

February 2018

Economic Affairs Interim Committee
Pat Murdo, Committee Staff



BACKGROUND BRIEF:

COMMISSIONER OF BANKING AND FINANCIAL INSTITUTIONS

The Commissioner of Banking and Financial Institutions is appointed by the Director of the Department of Administration, who may consult with the Banking Board in hiring or terminating the commissioner, as provided by 32-1-211, MCA. The Division of Banking and Financial Institutions is within the Department of Administration, and all statutory duties handled by the Division are done on behalf of the Department of Administration. The current commissioner is Melanie Hall, who was appointed on Jan. 18, 2011. The position is exempt from the state classification and pay plan under 2-18-103, MCA.

Duties: Administered through licensing, examinations, or regulation:

- The Bank Act, Title 32, chapter 1, MCA.
- Building and Loan Associations, Title 32, chapter 2, MCA;
- The Montana Credit Union Act, Title 32, chapter 3, MCA;
- The Montana Consumer Loan Act, Title 32, chapter 5, MCA;
- The Montana Electronic Funds Transfer Act, Title 32, chapter 6, MCA;
- Escrow Businesses, Title 32, chapter 7, MCA;
- The Montana Mortgage Act, Title 32, chapter 9, MCA;
- The Business and Industrial Development Corporation Act, Title 32, chapter 11, MCA;
- The Montana Retail Installment Sales Act, Title 31, chapter 1, part 2, MCA; and
- The Montana Deferred Deposit Loan Act, Title 31, chapter 1, part 7, MCA.

Goals

The Division's website <http://banking.mt.gov> states its goal as providing Montanans "with a safe and sound system of state-chartered financial institutions." Regulated institutions include 46 banks and trust companies, along with 372 branch banks, 9 credit unions, 242 consumer finance companies, 147 sales finance companies, and 8 escrow companies. Residential mortgage loan service providers number 3,607 licensees.

Funding

State special revenue funding for the division is based on fees assessed against the financial services that are regulated. The 2019 biennium budget is 9.2% lower than the 2017 biennium budget, partly due to eliminating a staff financial examiner and an attorney and to vacancy savings.

Topics of Interest

- Continued consolidation in the industry, including impacts on communities and the Division.
- Possible updates to state statutes regarding banking and mortgages.

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- State role in monitoring cyber safety related to state-chartered banks and credit unions.
- Budget impacts from the 2017 legislative session and November special session.

FY2018-2019 Budget (not including carry forward)

Total All Sources		State Special Revenue	
HB 2 before special session	After special session	HB 2 before special session	After special session
\$7,962,847	\$7,935,567	\$7,962,847	\$7,935,567

Significant 2017 Legislation

- **HB 25** – Removes routine reporting on business industrial development corporations to require reporting only in years in which an entity is licensed as a BIDCO.
- **SB 165** – Removes language cross-referencing another statute and specifically identifies exemptions to 32-5-103, MCA, which restricts the business of making consumer loans. Those exempted by type of entity include banks, savings and loan associations, building and loan associations, trust companies, and credit unions.

History

Banking laws first took effect in Montana in 1927. Laws regulating credit unions went into effect in 1975, two years after the 1973 Legislature created a State Banking Board. The Division of Banking and Financial Institutions moved to its current home in the Department of Administration in 2001 as part of a legislative reorganization moving some Department of Commerce regulatory functions to the Department of Administration.

State Banking Board

The State Banking Board's main duty is to make a final determination regarding formation of a new bank. The board, created under 2-15-1025, MCA, may act as an advisor on banking-related activities and may review decisions and hold hearings upon the request of the department or an application in relation to formation, closure, consolidation, merger, or sale of a bank or branch bank. Members are limited to 2 terms of 3 years each.

Member/Location	Representing	Term Expires
Phil Gaglia, Billings	State Bank Officer, large bank	7/01/2018
Maureen Fleming, Missoula	Public representative	7/01/2017
Josh Webber, Denton	State Bank Officer, small bank	7/1/2017
Jack Johnson, Billings	Public representative	7/1/2018
Bart Langemeier, Red Lodge	Officer, national bank doing business in Montana	7/1/2019
Amy Rapp, Great Falls	Public representative	7/1/2019

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