

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

**BILL NUMBER:** Senate Bill 205

**SHORT TITLE:** Community Reinvestment Act

**SPONSOR(S):** Senator Jordan

**FISCAL IMPACT:**      **Expenditures:**      **Increase (X)**      **Decrease ( )**  
                         **Revenues:**              **Increase (X)**      **Decrease ( )**

**No Impact (X) -- Increase in expenditures is offset by an equivalent increase in examination fee revenues.**

**No Estimate Available ( )**

**FUND AFFECTED:**      **General Fund ( )**      **Highway Fund ( )**      **Local Fund ( )**  
   **Other Fund (X)**

**BILL SUMMARY:**

Senate Bill 205 establishes the "Community Reinvestment Act (Act)" by adding to and amending Chapters 53 (Banks) and 54B (Savings and Loans Associations) of the General Statutes. The proposed bill requires a Bank or Savings and Loan Association (institution) to do the following: (1) annually prepare and review a delineation of the community the institution serves; (2) adopt a community reinvestment statement that contains information on credit availability to certain categories of potential borrowers in the community; (3) record and document the efforts by the institution to determine the credit needs of the community; (4) maintain publicly accessible files that contain certain information on an institution's compliance with the Act; and (5) provide certain public notice disclosure on premise.

State government requirements under the bill require the Commissioner of Banks and the Administrator of Savings Institutions (state regulators) to do the following: (1) to develop an examination program to determine an institution's compliance with the Act; (2) prepare an examination report containing an evaluation of an institution's annual performance with respect to the requirements of the Act; (3) maintain public and confidential files on an institution's compliance or noncompliance with the Act; (4) to require a rating of "outstanding" or "satisfactory" under the provisions of the Act or the federal Community Reinvestment Act prior to approval of any applications of merger, consolidation, establishing branch banks, converting savings and loan associations to banks, and reopening closed institutions; and (5) prepare an annual report to the State Treasurer listing both state and federal regulated financial institutions that under the provisions of the Act and the existing federal Community Reinvestment Act have "outstanding" or "satisfactory" ratings.

The proposed bill also prohibits the State Treasurer from depositing state or local government funds into state or national regulated institutions that have not been rated "outstanding" or "satisfactory" by state or federal regulators.

**EFFECTIVE DATE:** October 1, 1995

**PRINCIPAL DEPARTMENT(S)/PROGRAM(S) AFFECTED:** State Banking Commission and Savings Institution Division (Department of Commerce), and the Department of State Treasurer.

**FISCAL IMPACT**

	<u>FY95</u>	<u>FY96</u>	<u>FY97</u>	<u>FY98</u>	<u>FY99</u>
<b>EXPENDITURES</b>					
<b>TOTAL EXPENDITURES</b>					
<b>STATE FUNDS</b>					
<b>FEDERAL FUNDS</b>					
<b>LOCAL FUNDS</b>					
<b>OTHER FUNDS</b>	701,750	671,500	652,100	654,100	704,630
<b>RECEIPTS/FEES</b>	701,750	671,500	652,100	654,100	704,630
<b>POSITIONS:</b>	(6)	(6)	(6)	(6)	(6)

**ASSUMPTIONS AND METHODOLOGY:**

1. Assumes that state regulators must conduct a separate evaluation for every institution and are not authorized to use a federal examination report in lieu of a state examination.
2. Expenditures will be offset by additional examination charges paid for by the financial institutions examined.
3. Costs are based on the addition of 5 bank examiners and 1 savings institution examiner. Bank examiner costs include salary, travel, training, and equipment for the additional examiners. In addition, program development costs are included for 70 existing bank examiners. Savings institution costs include only salary and travel for an additional examiner.
4. There is estimated to be 1,236 bank institutions and 5 savings and loan institutions subject to examination.

**SOURCES OF DATA:** State Banking Commission and the Savings Institution Division (Department of Commerce), Department of State Treasurer.

**TECHNICAL CONSIDERATIONS:**

1. The proposed bill does not include Chapter 54C (Savings Banks) financial institutions which represents 51 of the 56 savings and loan institutions regulated by the state. Including Chapter 54C institutions would increase the expenditure and revenue estimates listed above by \$225,000 annually. The expenditure costs are comprised of salary and travel expenses for 3 additional savings institution examiners. The increase in revenues would result from additional examination fee revenues.

2. If a state agency is located in a community that has a limited number of financial institutions available to accept deposits of state funds, and if those institutions do not meet the requirements of either the proposed Act or existing federal Community Reinvestment Act, then the affected state agency will be required by the State Treasurer to find a qualified financial institution in another community. There are **no estimates available** concerning the probability or fiscal impact of this scenario.

3. The State Treasurer may be required to subordinate financial earnings performance criteria to the provisions of the proposed Act or vice versa. There are **no estimates available** as to the probability or potential fiscal impact of this scenario.

**FISCAL RESEARCH DIVISION**

**733-4910**

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**DATE:** February 21, 1995

**[FRD#002]**



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