



One Hundred First Legislature - Second Session - 2010
Introducer's Statement of Intent
LB 891

Chairperson: Rich Pahls
Committee: Banking, Commerce and Insurance
Date of Hearing: January 26, 2010

The following constitutes the reasons for this bill and the purposes which are sought to be accomplished thereby:

LB 891 is a bill introduced at the request of the Nebraska Department of Banking and Finance. Its primary purpose is to provide for a conditional state bank charter that could be used to acquire a financial institution that has been determined to be failing or troubled by its primary state or federal regulator. If such an acquisition occurs, the conditional charter could be converted to full bank charter status. A conditional bank charter is necessary because individuals are not allowed to participate in the bidding and acquisition process for failed banks and savings associations conducted by the Federal Deposit Insurance Corporation. A conditional bank charter is also known as a "shelf charter." The Office of the Comptroller of the Currency, which is the regulator of national banks, has adopted guidelines allowing for a conditional national bank charter.

Section 2 provides the authority for the Director of the Department of Banking and Finance to grant a conditional bank charter that may be inactive for a period of eighteen months, and sets forth the requirements and procedures for obtaining the charter. These include:

- The purpose of the conditional charter is limited to the acquisition of troubled or failing financial institutions.
- The financial institution to be acquired must be located in Nebraska or operate a branch office in Nebraska.
- An application must be submitted to the department that includes draft articles of incorporation, complete biographical and financial information about the proposed stockholders, officers and directors of the proposed bank; the source and amounts of available capital, and a preliminary business plan that discusses the operations of the proposed bank.
- Publication and notice of the application is required and the director has the authority to schedule a hearing on the application.
- The department must determine that the proposed officers, directors, and shareholders are persons of integrity and responsibility; sufficient capital is available; and the business plan shows a reasonable probability of usefulness and success.

Section 2 also provides the requirements for conversion to a full charter. These include obtaining a bond and FDIC insurance; paying in capital and surplus; and payment of charter fees.

Section 2 allows for successive one-year extensions with the prior approval of the Department of Banking and Finance and proof that the conditional charter continues to meet the initial requirements for the conditional charter. The department also is given the authority to issue a notice of expiration of the conditional charter if extensions are not requested or granted.

Section 3 amends section 8-602 to provide for an application fee of \$2,500.00 and an extension request fee of \$1,000.00.

Section 4 provides the amendatory repeal provision for the bill.

Section 5 provides the emergency clause.

Principal Introducer:

Senator Rich Pahls