

Fiscal Estimate Narratives

DFI 4/12/01

LRB Number 01-2695/2	Introduction Number SB-121	Estimate Type Original
Subject Universal banking and credit unions		

Assumptions Used in Arriving at Fiscal Estimate

This bill affects credit union formation, operation, and regulation. It also allows state savings banks, state savings and loan associations, and state banks to become certified as universal banks, under the supervision of the division of banking.

Credit Unions

The fiscal effect to the Department associated with the credit union portion of this bill is not significant.

Universal Banks

Initially, the division of banking estimates approximately 100 applications for certification under this chapter. If the fee for such an application is established at \$1,000 (the current fee for conversions of federal banks), there will be one-time revenue of approximately \$100,000. Subsequent to the initial applications, the division estimates approximately 10 applications per year, for on-going annual revenue of approximately \$10,000.

Initial costs associated with the establishment of universal banks include programming costs to add the new certification to the Department's computer system. Time to review initial applications is estimated at approximately 0.20 FTE or approximately \$15,000 for salaries and fringe benefits. On-going review costs are not significant.

This bill also requires the Division to annually examine every universal bank for compliance with federal laws related to customer financial privacy. Assuming 48 hours per exam and 100 exams initially, approximately 3.0 FTE would be required to complete these examinations. At an average examiner salary of \$48,000 and fringe benefits @ 35%, total salaries and fringes equal \$194,400. In addition, travel, training, computer and other costs total \$39,600

Salaries \$48,000 x 3 = \$144,000
Fringe Benefits @ 35% = \$50,400
Travel costs = \$21,000
Training = \$6,000
Laptop computer and other technology = \$9,000
On-going position costs = \$3,600
Total = \$234,000

Based on current examination fees, annual costs to an individual financial institution will be approximately \$2,600.

It is possible that the number of financial institutions seeking certification may be affected by these annual exams. Rather than seeking certification, financial institutions may instead seek to convert to a national charter, in which they would be able to obtain the powers associated with universal bank certification. There is increasing concern among the financial institution industry about the regulatory burden associated with a state charter. This same level of regulation does not apply to federally chartered institutions. While the state charter is attractive from the standpoint of local regulation, increasingly institutions have indicated they may decide to convert charters. In that case, revenue to the Department would decrease substantially in the form of annual assessments and examination fees paid by state financial institutions.

Long-Range Fiscal Implications