



DAVID CRAIG

STATE REPRESENTATIVE

Assembly Committee on Financial Institutions
Public Hearing, August 28, 2013
Assembly Bill 277 Testimony
Representative David Craig, 83rd Assembly District

Members of the Committee,

Thank you for taking the time to hear testimony on this legislation, Assembly Bill 277.

This legislation is the first of several regulatory reform bills that will be produced by this committee as part of the “Right the Rules” project. Beginning in February, our committee began the process of reviewing the portions of the administrative code that are impacted in this legislation. Putting together the feedback generated by regulators, stakeholders and elected officials, this legislation reflects the compilation of not just my work but of the work of this committee as a whole.

AB-277 touches on various aspects of banking and credit union regulations. From simplifying filing requirements, ensuring obsolete codes are removed, to streamlining federal and state banking and credit union code, this legislation balances the need for a robust financial industry in our state, while also ensuring the financial industry is operated in a manner that preserves strong protections for our constituents. At its heart, this legislation ensures that Wisconsin consumer protections are strong, while also helping our smaller state chartered banks and credit unions remain competitive – with their national competitors – in a global financial industry.

This legislation is a step towards ensuring that our state responsibly regulates businesses while also recognizing that those businesses are job creators and should not be forced to comply with unnecessary burdens placed upon them by government. It is a bipartisan example of how our legislature can come together to do what is right for both Wisconsin consumers and Wisconsin job creators in the financial services sector.

For the many reasons I have stated, I ask for your support of AB-277 and thank you for your joint efforts in crafting this legislation.



STATE REPRESENTATIVE
GORDON HINTZ

WISCONSIN STATE ASSEMBLY

54th DISTRICT

August 28, 2013

Dear Chair and Members of the Assembly Committee on Financial Institutions,

Thank you for the opportunity to submit testimony today regarding Assembly Bill 277, relating to DFI regulatory reform.

It is in everyone's best interest that we regularly review and update our rules promulgated by the Department of Financial Institutions. This is especially important in the area of financial institutions where we need to ensure that our state laws are compatible with federal law changes, up-to-date regarding technology advancements and follow best business practices.

While regulatory reform is certainly not glamorous, and will not gain us any press hits, it is a very important part of our job as legislators to streamline our laws. I appreciate the bipartisan support and spirit that have resulted in this "Right the Rules" reform package. I am proud of the work our committee has done and look forward to bringing this bipartisan legislation before the Assembly this fall.

Thank you for your consideration,

A handwritten signature in black ink that reads "Gordon Hintz".

Gordon Hintz
State Representative-54th Assembly District



Potential Revisions: DFI-Bkg 14 Customer Bank Communications Terminal Joint Rule* **
Assembly Committee on Financial Institutions Hearing March 27, 2013

A. Reasonable Allocation of Customer Liability for Unauthorized Use of a Card (DFI-Bkg 14.07)

The Problem: Currently there is no time period in the state administrative code governing when a bank customer must inform his or her bank about unauthorized use of his or her plastic card. The longer it takes for an unauthorized purchase to get reported to the bank, the greater potential loss for the bank. As soon as a bank is notified about unauthorized purchases, it can take immediate steps to stop them. Under the current state administrative code, a customer is basically only liable for a maximum of \$50. Also, a patchwork of different state and federal rules apply to different transactions.

Currently, DFI-Bkg 14 (but not federal Regulation E, aka the 1978 Electronic Fund Transfer Act) applies to business customers, like an LLC, using a debit card attached to the LLC checking account. Under state rules, the LLC has no incentive to quickly report unauthorized transactions.

Also, an individual with a personal checking account debit card has different rules applying to different transactions. 1.) When the individual withdraws cash from an ATM, both Reg E and state law apply, but state law trumps because it does not include any notification requirements on the individual. 2.) When the individual uses that same card to conduct an ACH debit buying something on the internet, only Reg E applies. 3.) When the individual uses the same card at a merchant using the merchant's network (like Visa or MasterCard), state law, Reg E and credit card rules apply. The credit card rules trump the others.

The Solution: Make state rules more consistent where possible with federal Reg E, which provides very reasonable customer notification expectations and liabilities. Under Reg E, the longer a customer waits to report unauthorized transactions, he or she may be liable for a greater amount of the loss (up to \$500) because of his or her negligence and failure to act.

B. Reduce Receipt Redundancy (DFI-Bkg 14.08)

The Problem: State-chartered banks must provide a receipt for all ATM transactions, even if it's for only \$10.00. Unnecessary receipts create clutter, cost banks in paper and increase transaction times at ATMs.

The Solution: Reg E, which applies to nationally-chartered institutions, again can give guidance. No receipts are necessary for transactions \$15 and under. Perhaps this is just a matter of replacing "banks shall" with "banks may" in the rules.

C. "Chargebacks" (DFI-Bkg 14.09)

The Problem: This particular part of the Code has become unnecessary because these direct merchant-to-bank transactions do not appear to occur anymore. Rules regarding "chargebacks" reversing a transaction are now unneeded as third party processors (like Visa and MasterCard) facilitate transactions between the bank and the merchant. Several federal rules govern these transactions and the resolution of any errors.

The Solution: Eliminate this outdated and unnecessary portion of the Code.

**Equivalent rules for other financial institutions would include savings banks (DFI-SB 12), savings associations (DFI-SL 12) and credit unions (DFI-CU 63).*

***DFI is aware of these suggested revisions and has not offered any opposition to them.*