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Testimony on AB 715

Assembly Committee on Financial Institutions

Tuesday, December 5, 2023

Thank you Chairwoman Duchow and Assembly Financial Institutions Committee members for having a public hearing on Assembly Bill 715, the Financial Institutions Modernization bill, and allowing me to provide testimony.

First, I want to thank my colleagues Sen. Stafsholt, Rep. Murphy, and Rep. O'Connor who have worked on this legislation with me and the stakeholders. Also, I would like to thank committee members Rep. Allen and Rep. Rettinger who are cosponsors of the bill. I am proud to say that this bill is bipartisan in both bodies and I am happy to have Rep. Myers as a cosponsor in the Assembly.

Overall, this legislation makes modifications to clarify and simplify state statutes governing financial institutions including banks, credit unions, and savings and loan associations. The provisions will help financial institutions work more effectively and efficiently to better serve their customers.

This bill is a product of negotiations among relevant stakeholders, including the Wisconsin Bankers Association and the Wisconsin Credit Union League. Both organizations are in support of this legislation and will be testifying today. The Department of Financial Institutions provided technical input on the bill and also supports the proposal.

The stakeholders will provide more details on provisions that impact their institutions. However, briefly, I will review summarize the bill. The bill makes the following modifications:

- It clarifies a credit unions authority to purchase, lease, hold and convey certain real estate.
- The bill specifies that credit unions may issue or offer supplemental forms of capital approved by OCU.
- The bill repeals outdated provisions related to the installation and operation of off-site ATMs.
- The bill creates the crime of interfering with an ATM.
- The bill eliminates a geographical lending restriction for a savings and loan association.
- The bill eliminates certain lender disclosure requirements applicable to residential mortgage loans and variable rate loans.
- The bill extends the maximum maturity date, from 10 to 20 years, of a promissory note issued by a municipality, county, or school district.
- The bill requires credit unions to fill any vacancy on its board of directors within 90 days.
- The bill increases the amount of compensation available from DFI for losses resulting from the deposit of public moneys in a failed financial institution.
- The bill extends the period during which OCU must determine whether an activity or power that becomes authorized for a federally chartered credit union should also be authorized for a Wisconsin-chartered credit union.
- The bill creates flexibility with regards to paying for examinations conducted by OCU.

I wanted to provide a bit more clarification and legislative intent on one of the provisions. The bill specifies that credit unions may issue or offer supplemental forms of capital under certain circumstances. It is important to note that any new supplemental capital must be in the form and with the conditions, including those related to the safety and soundness of the proposed use of the capital. Also, any application for capital must be approved by the Office of Credit Unions within the Department of Financial Institutions. The legislative intent is to allow this under rare circumstances such as when a Credit Union is failing.

Again, AB 715 is a negotiated package that brings together the financial institutions industry. I began working on this legislation back in 2021 and I am proud to bring forward this agreement today. I appreciate your consideration of this bipartisan legislation and hope the committee will move forward with the package. I am happy to answer any questions.



ROB STAFSHOLT

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P.O. Box 7882
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TO: Assembly Committee on Financial Institutions
FROM: Senator Rob Stafsholt
DATE: December 5, 2023
SUBJECT: Testimony in Favor of Assembly Bill 715

Thank you, Chairwoman Duchow and members of the Assembly Committee on Financial Institutions, for allowing me to testify in favor of Assembly Bill 715.

This legislation makes modifications to clarify and simplify state statutes governing financial institutions, such as banks, credit unions, savings and loan associations, etc.

The bill makes the following modifications:

- Clarifies credit unions authority to purchase, lease, hold and convey certain real estate.
- Specifies that credit unions may utilize additional forms of capital as approved by the Office of Credit Unions (OCU) within the Department of Financial Institutions (DFI).
- Repeals outdated provisions related to the installation and operation of off-site ATMs.
- Creates the crime of interfering with an ATM.
- Eliminates a geographical lending restriction for a savings and loan association.
- Extends the maximum maturity date, from 10 to 20 years, of a promissory note issued by a municipality, county, or school district.
- Requires credit unions to fill any vacancy on its board of directors within 90 days.
- Increases the amount of compensation available from DFI for losses resulting from the deposit of public moneys in a failed financial institution.
- Extends the period during which OCU must determine whether an activity or power that becomes authorized for a federally chartered credit union should also be authorized for a Wisconsin-chartered credit union.
- Creates flexibility with regards to paying for examinations conducted by OCU.

This bill is a product of negotiations among relevant stakeholders, including the Wisconsin Credit Union League and Wisconsin Bankers Association, who are both in support of this legislation.

Thank you, members. I ask for your support and would be happy to discuss this bill at any time.

December 5, 2023

To: Honorable Members – Assembly Committee on Financial Institutions
From: Sarah Wainscott, Senior Vice President – Advocacy and Chris Moczynski, President/CEO-Prime Financial Credit Union
Re: Support for AB 715 on Financial Institutions Modernization

Chair Duchow and Committee members -

I am Sarah Wainscott, the Senior Vice President of Advocacy for the Wisconsin Credit Union League. Our association represents 98% of the state's credit unions, spanning every corner of the state, ranging in size and in the fields of memberships they serve. Collectively, the members of this committee represent over 345,000 credit union members.

First, thank you for your consideration of Assembly Bill 715, a package of requests from the credit unions and banks. I also wanted to thank the five of you that authored or cosponsored this bill already.

All credit unions are not-for-profit cooperative businesses, and as such, return earnings to members in various forms including through preferable rates, fewer or lower fees, or enhancements in their service to members and communities. While many of the reforms requested by credit unions in this bill appear inconsequential, the conveniences provided can in turn help the credit union further allocate resources to member services and members' benefit.

This bill is the product of two bills from last session, and ongoing conversations. The items before you are well-vetted between our association and the Bankers. We have no objections or concerns with the provisions proposed by the WBA, and I will turn it over to Chris to mention the practical value of the sections proposed by credit unions.

Good afternoon, Chair Duchow and Committee Members –

I am Chris Moczynski, President/CEO of Prime Financial Credit Union. Established in 1923 by a group of City of Milwaukee employees, Prime Financial Credit Union is Wisconsin's first state-chartered credit union. Our mission is to improve the financial well-being of our members by providing innovative, competitive, and high-quality services and products.

As Sarah mentioned, as a not-for-profit cooperative our earnings are reinvested into our members. We support AB 715 in front of you today and appreciate the clarity and convenience it provides that can allow us to focus more, still, on putting our members' interests first.

The policies included in this bill, which were requested by credit unions, do the following:

- Allow for the consideration of supplemental capital as a safety and soundness tool for all Wisconsin credit unions. This is currently permissible by federal designation for 46 credit unions as either low-income designated or complex credit unions (those over \$500 million in assets). While we expect the use to continue to be infrequent, this process can help credit unions to persevere and weather economic shock and challenges to its capital levels.
- Codifies into the state statutes 2015 guidance already in place related to Other Real Estate Owned.
- Removes the requirement that financial institutions report new ATM placements.
- Allows 30 days to pay for an examination. Current law requires it to be paid on the final day of the exam.
- Extends, by 30 days, current processes for filling board vacancies and for the Office of Credit Unions consideration of Incidental Powers already granted to federally chartered credit unions.

These thoughtful adjustments can lessen the administrative burden, offer efficiencies, and provide confidence to our credit unions through clarity.

As not-for-profit cooperatives, assuring Wisconsin's credit unions can operate efficiently and effectively is a benefit to the member-owners and communities that we exist to serve. We thank you for your consideration of AB 715, and continued support to ensure Wisconsin state-chartered credit unions can evolve to meet our member needs.

We'd be happy to take any questions.



Testimony of Wisconsin Bankers Association

Lorenzo Cruz-VP Government Relations, WBA and Gary Kuter-Chief Compliance Officer and SVP Retail Banking, Capitol Bank

Assembly Financial Institution Committee-AB 715

December 5, 2023

Good afternoon, Chairwoman Duchow and members of the Assembly Financial Institutions Committee.

My name is Lorenzo Cruz Vice of Government Relations for the Wisconsin Bankers Association (WBA) and joining me today is Gary Kuter Chief Compliance Officer and Senior Vice-President of Retail Banking for Capitol Bank in Madison.

WBA is the largest financial industry trade association in the state, representing over 200 banks of all sizes and over 30,000 employees. Ninety-eight percent of the banks are members of WBA.

I would like to thank Chairwoman Duchow and committee members for the opportunity to testify today in favor of Assembly Bill 715. The legislation is designed to update several statutes related to banking practices. WBA greatly appreciates the leadership of Representative Terry Katsma and Senator Rob Stafsholt for moving this legislation forward.

Banks are the economic catalysts in the communities they serve. Their investments in the community drive job and infrastructure growth, encourage innovation, provide goods and services to business and residential customers, and create a more vibrant and prosperous local economy.

Banks are heavily regulated and are regularly examined for safety and soundness. A key focus of banks of all sizes is regulatory compliance and operations. AB 715 modernizes the banking statutes by providing some regulatory relief without jeopardizing safety and soundness. This common-sense approach allows banks to better serve the needs of their customers while spending slightly less time on

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regulatory compliance. At this time, I would like to turn over the microphone to Gary who will briefly summarize some of the key provisions of the bill.

Highlights of the key provisions are:

- Modernizes Department of Financial Institution's (DFI) municipal deposit guarantee program to provide up to \$1 M of coverage for losses of public deposits in case of a bank failure. The current limit is \$400,000.
- Provides parity with Board of Commissioner of Public Lands (BCPL) and allow banks to offer the same 20-year term loan that BCPL can do today. Banks are currently limited to 10-year terms.
- Repeals outdated ATM statutory requirement from the 70s that requires financial institutions to provide advanced written notice to DFI before acquiring, placing operating, or changing off site ATM.
- Imposes a Class H felony on a party found guilty of an ATM smash and grab.
- Eliminates an archaic requirement on savings and loan associations to limit loans to geographic markets within a 100-mile radius of an office.
- Reduces regulatory burden by eliminating mortgage lending disclosures with Wisconsin law that are duplicative to disclosure required under federal law, including under the Truth in Lending Act (TILA) and the Real Estate Settlement Procedures Act (RESPA).

In closing WBA strongly urges the Legislature to support passage of AB 715. Thank you, Chairwoman Duchow and members, for taking the time to listen and consider WBA's testimony today. We would be happy to answer any questions you may have.



Aim High. Bank Strong.

**Testimony of Jeff Vohs – Stateline President – CBI Bank & Trust
Assembly Committee on Financial Institutions - Assembly Bill 715**

December 5, 2023

Chairwoman Duchow and members of the Assembly Committee on Financial Institutions,

My name is Jeff Vohs, and I am the Stateline President for CBI Bank & Trust in Beloit, formerly SENB Bank. CBI Bank & Trust is based in Muscatine, Iowa and was excited to acquire SENB, as it provided the opportunity do business in Wisconsin and the potential to grow more in the state as well. I have been a banker for 12 years now, working primarily in commercial lending and business banking, however also assisting our retail, mortgage, and operations departments. Earlier this year I graduated from the Graduate School of Banking program at UW-Madison, earning my degree and a certificate in executive leadership. I am a lifelong resident of Wisconsin, graduating from UW-Whitewater, and beginning my career with the Beloit Snappers minor league baseball team, spending seven years as the general manager before transitioning into banking.

I am speaking today in support of AB 715 related to financial institutions modernization.

The banking industry is full of rules and regulations that have been layered on over the years, often not being revisited. The goal of this legislation is to remove or update regulatory relics, and to reduce certain impediments bankers face daily.

Briefly, the bill achieves the following:

- It helps smaller institutions more easily accept municipal deposits and allows municipalities to deposit funds more confidently, increasing coverage through the Department of Financial Institutions from \$400,000 to \$1,000,000.
- It eliminates the antiquated restriction on savings and loan associations, which currently limits them to lending within a 100-mile radius of an office.
- It eliminates the notice requirements for establishing or moving ATM's, allowing financial institutions to provide more convenient access to customers' money faster.
- It creates municipal lending parity between banks and the Board of Commissioners of Public Lands (BCPL), allowing banks to provide loans amortized over 20 years, instead of the current 10-year requirement.



Aim High. Bank Strong.

- Modern banking requires up-to-date regulation. The changes in this proposal will allow bankers to continue to focus on serving our customers and communities, spending slightly less time on regulatory compliance.
- The proposed mortgage lending changes are meant to reduce the regulatory burden by eliminating disclosures with Wisconsin law that are duplicative to disclosures required under federal law, including under the Truth in Lending Act (TILA) and the Real Estate Settlement Procedures Act (RESPA).

Thank you, Chairwoman Duchow and committee members, for hearing my testimony. I urge you to support AB 715 and would be happy to answer any questions you may have at this time.

A handwritten signature in black ink, appearing to read "Jeff Vohs", is positioned above the typed name.

Jeff Vohs, Stateline President
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