

Senate Fiscal Agency  
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**SFA**



**BILL ANALYSIS**

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House Bill 5152 (as reported without amendment)  
Sponsor: Representative Alan Sanborn  
House Committee: Insurance and Financial Services  
Senate Committee: Banking and Financial Institutions

Date Completed: 4-17-02

### **RATIONALE**

The Savings Bank Act provides for the incorporation, regulation, supervision, and internal administration of State-chartered savings banks. Savings banks may be chartered either as a mutual savings bank (owned by the account holders) or as a stock savings bank (owned by shareholders), and are required to meet an asset test that requires a majority of their assets to be in mortgage-related loans and investments. This can limit the types of financial services that a mutual savings bank can offer. Since mutual savings banks are prohibited from issuing stock to raise capital, making acquisitions through a transfer of stock, or issuing stock options, it has been suggested that they should be able to reorganize as mutual holding companies, which could then own a controlling interest in a new savings bank subsidiary, such as a stock savings bank, in order to expand the financial services they offer.

### **CONTENT**

The bill would amend the Savings Bank Act to allow an "existing mutual savings bank" (a mutual savings bank engaged in the savings bank business before reorganization) to reorganize as a mutual holding company if all of the following requirements were met:

- The reorganization plan complied in all respects with Office of Thrift Supervision (OTS) mutual holding company laws and received OTS approval; and the OTS granted a Federal charter to the newly created mutual holding company.
- The reorganization plan received the approval of the Office of Financial and Insurance Services (OFIS).
- The board of directors of the existing

mutual savings bank had approved the plan of reorganization at a meeting called pursuant to the bank's articles of incorporation and bylaws.

- A majority of the total votes of the members of the existing mutual savings bank eligible to be cast had approved the plan of reorganization after a membership meeting called pursuant to the bank's articles of incorporation and bylaws.

(The Office of Thrift Supervision is within the U.S. Department of Treasury. The Office of Financial and Insurance Services is in the Michigan Department of Consumer and Industry Services. "Mutual holding company" would mean that term as defined in the Federal Home Owners' Act and OTS regulations.)

The bill also would allow a person (an individual or legal entity), as provided in Section 301, to organize and incorporate any new savings bank subsidiary of the existing mutual savings bank, if the "new savings bank" (a savings bank not engaged in the savings bank business before the reorganization) were organized for the sole purpose of effecting a reorganization plan under the bill. The new savings bank subsidiary would have to have its principal office in the same city or village as the principal office of the existing mutual savings bank. (Section 301 allows one or more persons to form a corporation for the purpose of conducting a savings bank business.)

In addition, the assets, liabilities, and banking business of the existing mutual savings bank could not be transferred to any new savings bank subsidiary or Federal savings bank subsidiary under the reorganization plan until

the OTS or OFIS approved a charter for the subsidiary to operate as a savings bank or Federal savings bank.

Further, unless OFIS determined in writing that the subsidiary charter application did not meet the requirements for a savings bank, OFIS would have to approve the subsidiary's charter application if the applicant represented, and the OFIS Commissioner believed, that the subsidiary would conduct substantially the same banking business as the existing mutual savings bank.

Proposed MCL 487.3706a

## **ARGUMENTS**

*(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)*

### **Supporting Argument**

By allowing an existing mutual savings bank to reorganize as a mutual holding company owning a controlling interest in a newly created savings bank subsidiary, such as a stock savings bank, the bill would address the bank's need to raise capital. This would enable a mutual savings bank to secure many of the benefits of a pure stock conversion while still receiving protection from unwanted acquisition by the mutual form of ownership of the mutual holding company. The mutual charter also would benefit a savings bank by distancing certain market pressures and stock prices from the decision-making process, and allowing for a longer-term business plan and operations philosophy.

Further, the bill would not mandate mutual savings bank to reorganize as mutual holding companies, but merely would give them the option to do so. Any mutual savings bank interested in a reorganization still would have to undergo an application process, involving State and Federal regulatory approval, as well as approval from its board of directors and account holders.

Legislative Analyst: Nobuko Nagata

## **FISCAL IMPACT**

The bill would have no fiscal impact on State or local government.

Fiscal Analyst: Elizabeth Pratt

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.