

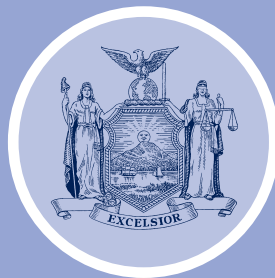


NEW YORK STATE ASSEMBLY

A N N U A L

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R E P O R T



**Committee on
Banks**

Annette M. Robinson, Chairwoman

SHELDON SILVER, SPEAKER

**2012 ANNUAL REPORT
NEW YORK STATE ASSEMBLY
STANDING COMMITTEE ON BANKS**

Annette M. Robinson
Chairwoman

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William F. Boyland, Jr.
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I. Introduction

The New York State Assembly Standing Committee on Banks was established in order to review and initiate legislation that affects financial institutions that operate in New York State. The Committee's statutory purview includes the Banking Law, the General Obligations Law, the Uniform Commercial Code, and the Personal Property Law. Entities under the Banking Law jurisdiction include banks, trust companies, safe deposit companies, savings banks, savings and loan associations, credit unions, bank holding companies, sales finance companies, licensed lenders, licensed cashers of checks, money transmitters, budget planners, mortgage brokers, mortgage bankers, insurance premium finance agencies, and foreign and private banks.

The bills within the Banks Committee address a broad range of banking concerns including maintaining the competitive balance among financial institutions, protecting customers' interests, providing housing finance, and modifying banking regulations and administration.

During the 2012 legislative session, 19 bills were considered by the Banks Committee. Of these bills, 15 were reported favorably by our committee, 7 passed the Assembly, and 6 were signed into law.

II. Major Issues of 2012

During the 2012 Legislative Session, the Committee on Banks addressed a number of significant issues in order to meet the challenge of protecting the consumers' interests while maintaining the strength of New York State's banking industry. These significant issues include increasing consumer protection, enhancing the safety and soundness of the banking industry, and ensuring access to financial services.

A. Industry Issues

1. Understanding and Providing Clarity with the Community Reinvestment Act Assessments

A.1362 (Jeffries)/S.4406 (Robach)

Present federal and state Community Reinvestment Act (CRA) requires the supervisory agency in which a financial institution is chartered, to assess the institution's record of helping to meet the credit needs of the entire community, including low and moderate income neighborhoods.

New York State regulation requires the Department of Financial Services to provide a numerical CRA "rating" of each bank under their jurisdiction. This bill would require the assessment to also include a separate explanation of the record of the bank pertaining to each of the twelve individual assessment factors listed under the CRA, with a separate discussion of how well the bank satisfied each factor.

This bill was advanced to the third reading on the Assembly Calendar.

2. Clarifying Licensing Requirements for Loans to Family Members

A.9123 (Robinson)/S.3779 (Smith)

Chapter 47 of the Laws of 2012

This law will address the problems resulting from unregulated residential mortgage loans by limiting the number of personal mortgage loans that can be issued without acquiring a mortgage banking license. Previous banking law prohibited persons or entities from making five or more mortgage loans in a calendar year. This new law prohibits persons or entities from making no more than five loans in a two-year period or no more than three loans in a calendar year.

3. Strengthening the Banking Development District Program

A.9296 (Robinson)/S.6692 (Griffo)

This bill would enhance the Banking Development District (BDD) program by clarifying the goals of the program and the criteria by which a branch's effectiveness should be measured.

This bill advanced to third reading on the Assembly Calendar.

B. Regulatory Issues

1. Notification of Financial Institutions Procedures

A.2795 (Gabryszak)

This bill would require financial institutions to notify customers in writing thirty days prior to changing a fee based on account inactivity. This bill also would require the written notice to include a telephone number and full contact information for a representative of the financial institution responsible for resolving any matter relating to the fee.

This bill was advanced to the third reading on the Assembly Calendar.

2. Regulating the Actions of Mortgage Brokers and Mortgage Lenders

A.7329 (Barron)/S.886 (Krueger)

Chapter 404 of the Laws of 2012

This law prohibits mortgage brokers and mortgage lenders from receiving directly or indirectly, any compensation that is based on, or varies with, the terms of any home loan, also known as yield spread premiums.

3. Expanding Credit Union Memberships

A.8145-C (Jeffries)/S.4567-C (Griffo)

This bill would make various amendments to the Banking Law governing credit unions intended to provide parity with federal law and regulations. Specifically, this bill would: give credit unions' boards of directors more latitude in determining criteria for membership in a particular credit union; expand investment powers of credit unions; provide authority to exercise incidental powers similar to that which is authorized under federal regulations.

This bill was reported to the Assembly Ways and Means Committee.

4. Regulating Actions Between Home Improvement Contractors and Mortgage Brokers

A.8909 (Jeffries)/S.6124 (Savino)

Chapter 5 of the Laws of 2012

This law excludes home improvement loans insured by the Federal Housing Administration (FHA) from the provisions of state law that would otherwise prohibit mortgage brokers from directly paying home improvement contractors.

5. Clarifying the Law that Created the Department of Financial Services

A.9820-A (Robinson)/S.6738-A (Griffo)

Chapter 155 of the Laws of 2012

This law makes further necessary corrections and clarifications to various provisions of New York State Law to reflect the merger of Banking and Insurance Departments into

the Department of Financial Services (DFS). Most of these corrections changed or eliminated the reference of the Banking Board to the Superintendent as well as, changed or eliminated the reference of the Banking Department to the Department of Financial Services.

**6. Conforming State Law on Branching to the Dodd-Frank Act
A.10567-A (Robinson)/S.6777-B (Griffo)
Chapter 180 of the Laws of 2012**

This law amends various sections of the Banking Law to conform it to recent federal law amendments made by the Dodd Frank Wall Street Reform and Consumer Protection act (Dodd-Frank). These amendments relate to interstate branching, as well as the establishment of branches and trust offices by both New York banks and out-of-state banks and trust companies.

C. Consumer Products, Protection, and Convenience

**1. Requiring Public Posting of Consumer Hotline
A.1394-A (Ortiz)**

This bill would require banking institutions to publicly post the Department of Financial Services toll-free consumer hotline number where consumers can call regarding unsatisfactory banking services.

This bill was reported to the Assembly Codes Committee.

**2. Improving Financial Institutions Check Cashing Policies
A.2208-B (Zebrowski)**

This bill would require financial institutions to cash checks in the amount of five hundred dollars or less drawn on accounts at such institution, as long as there are sufficient funds within the account. In addition, this bill would require one form of valid photo government-issued identification to be presented in order to cash checks.

This bill was reported to the Assembly Codes Committee.

**3. Protecting Consumers from Unsolicited Loan Checks
A.2850-A (Pretlow)/S.651-A (Sampson)**

This bill would prohibit lending institutions from issuing mail loan checks or drafts (unsolicited checks) to any individual without request or application from the consumer. In addition, the bill would require the transaction fee and interest rate, as well as any additional information that the Superintendent of Financial Services may require, to be printed on the mail loan check.

This bill was advanced to third reading on the Assembly Calendar.

4. Protecting Account Holders from Unnecessary Insufficient Fund Fees
A.3558-A (Miller, J.) /S.7173 (Saland)

This bill would require every banking institution maintaining a checking account for a customer to pay checks in the order received, provided that if a check is dishonored due to insufficient funds, any subsequent smaller check, which can be paid, must be honored with the amounts on deposit.

This bill was reported to the Assembly Codes Committee.

5. Protecting Consumers from Onerous Inactivity Fees
A.3359 (Gabryszak)

This bill would prohibit financial institutions from charging a fee in excess of five dollars per year to a customer based on account inactivity.

This bill was reported to the Assembly Codes Committee.

6. Protecting Consumers from Fraudulent Wire Transfers
A.8928-B (Nolan)/ S.6276-B (Gianaris)

This bill would require all transmitters of money by wire or electronic transfer, to clearly and prominently warn customers about fraud prior to completing the transfer.

This bill passed the Assembly.

7. Protecting Consumers from Unauthorized Transfers
A.9787 (Robinson)/S.219-A (Maziarz)
Chapter 403 of the Laws of 2012

This law would protect consumers by prohibiting the transfer of funds as a penalty or final payment after the account holder has given oral or written communication to stop preauthorized electronic fund transfers, for any account entered into after January 1, 2013.

D. Hearing

On December 11, 2012, in New York City, the Committee held a joint hearing with the Committee on Aging regarding the efforts of state agencies to prevent financial exploitation of the elderly. The Committee heard from the Department of Financial Services, the State Office for the Aging, New York District Attorney's Elder Abuse Unit, New York State Bankers Association, New York Financial Planners and numerous representatives of legal services organizations, and other community based organizations that assist victims of financial exploitation.

Testimony indicated that more can be done to educate both financial services professionals and other community-based organization staff who deal with seniors regarding the signs of financial exploitation. The victim may be too afraid or ashamed to reach out so it is important that other individuals be aware of potential signs so they can empower potential victims and support them in getting assistance. In addition, testimony was presented on a pilot program called "Senior Crime Stoppers," that offers secure lockboxes for nursing home residents to safely store their valuable and important documents. Also discussed were the increasing numbers of reported incidents, cases prosecuted, webinars and seminars provided and the ongoing collaborated efforts between city and state agencies, medical professionals, financial institutions, higher learning institutions and community based organizations.

Concerns were raised about whether seniors knew who to call to report financial exploitation and whether there was sufficient training for adult protective services and law enforcement personnel to ensure a compassionate and thoughtful response if a report is made. A review of the training currently required was suggested.

Lastly, the need for interagency and interdisciplinary cooperation to find new and innovative ways to prevent financial exploitation and identify it before a senior is bankrupted was reiterated by almost every individual who testified at the hearing. Many people may have a part of the information needed, but when these individuals are brought together then a solution is much more likely. Supporting these kinds of initiatives both between State agencies and at the local level was a recurring theme.

IV. Banking Committee 2013 Outlook

The New York State Assembly Standing Committee on Banks will continue to pursue an agenda that responds to the banking industry's and consumers' needs and concerns by protecting consumers' financial interests and security and by supporting legislation that encourages financial institutions to educate and inform their clients on how to make informed financial decisions.

During the 2013 legislative session, the Assembly Banks Committee will continue in its efforts to create legislation that increases financial literacy and protects financial institutions and consumers from theft and fraud. The Committee will also examine safe alternative financial products to unmet short term lending needs in communities throughout New York, as well as the ongoing protection of the elderly from financial exploitation.

The Banking Committee will continue to work on strengthening the State Banking Charter in order to have more oversight of the financial institutions in New York State. This oversight will help to further protect consumers.

The Committee will also continue to work to create legislative improvements to the Banking Development District Program. These improvements will aid financial institutions in offering banking services to underbanked communities in order to help individuals and small businesses who are in need of affordable banking products and services.

APPENDIX A
SUMMARY OF ACTIONS ON ALL BILLS
REFERRED TO THE COMMITTEE ON BANKS
DURING THE 2012 LEGISLATIVE SESSION

Final Action	Assembly Bills	Senate Bills	Total Bills
<u>Bills Reported With or Without Amendment</u>			
To Floor; Not Returning to Committee	0	0	0
To Floor; Recommitted and Died	3	0	3
To Ways & Means Committee	3	0	3
To Codes Committee	10	0	10
To Rules Committee	0	0	0
To Judiciary	0	0	0
Total	16	0	16
<u>Bills Having Committee Reference Changed</u>			
To _Judiciary_ Committee	1	0	1
Total	1	0	1
<u>Senate Bills Substituted or Recalled</u>			
Substituted		3	3
Recalled		1	1
Total		4	4
<u>Bills Never Reported, Held in Committee</u>	1	0	1
<u>Bills Never Reported, Died in Committee</u>	53	9	62
<u>Bills Having Enacting Clauses Stricken</u>	1	0	1
<u>Motions to Discharge Lost</u>	0	0	0
TOTAL BILLS IN COMMITTEE	72	13	85

Total Number of Committee Meetings Held: 7

APPENDIX B
SUMMARY OF FINAL ACTIONS ON BILLS
REPORTED BY THE BANKS COMMITTEE

Assembly Bill Number Sponsor	Senate Bill Number Sponsor	Final Action	Description
A.1362 (Jeffries)	S.4406 (Robach)	Advanced to 3 rd Reading	Would require the Superintendent of Department of Financial Services to write an assessment that explains a financial institutions' performance record on meeting the credit needs and availability of banking services for low to moderate income consumers
A.1394-A (Ortiz)	No Same As	Reported to Codes Committee	Requires banking institutions to publicly post the Department of Financial Services toll-free consumer hotline number where consumers can call regarding unsatisfactory banking services.
A.2208-B (Zebrowski)	No Same As	Reported to Codes Committee	Requires financial institutions to cash checks in the amount of five hundred dollars or less drawn on accounts at such institution, as long as there are sufficient funds within the account. In addition, this bill would require one form of valid photo government-issued identification to be presented in order to cash checks.
A.2795 (Gabryszak)	No Same As	Advanced to 3 rd Reading	Requires financial institutions to notify customers in writing thirty days prior to changing a fee based on account inactivity. This bill also would require the written notice to include a telephone number and full contact information for a representative of the financial institution responsible for resolving any matter relating to the fee.
A.2850-A (Pretlow)	S.651-A (Sampson)	Advanced to 3 rd Reading	Prohibits lending institutions from issuing mail loan checks or drafts (unsolicited checks) to

			any individual without request or application from the consumer. In addition, the bill would require the transaction fee and interest rate, as well as any additional information that the Superintendent of Financial Services may require, to be printed on the mail loan check.
A.3359 (Gabryszak)	No Same As	Reported to Codes Committee	Prohibits financial institutions from charging a fee in excess of five dollars per year to a customer based on account inactivity.
A.3558 (Miller, J.)	S.7173 (Saland)	Held for Consideration in Codes Committee	Requires banking institutions maintaining a checking account for a customer, to pay checks in the order received, provided that if a check is dishonored due to insufficient funds, any subsequent smaller check, which can be paid, must be honored with the amounts on deposit.
A.7329 (Barron)	S.886 (Krueger)	Chapter 404	Prohibits mortgage brokers and mortgage lenders from receiving yield spread premiums.
A.8145-C (Jeffries)	S.4567-C (Griffo)	Reported to Ways & Means	Makes various amendments to the Banking Law governing credit unions intended to provide parity with federal law and regulations. Specifically, this bill would: give credit unions' boards of directors more latitude in determining criteria for membership in a particular credit union; expand investment powers of credit unions; provide authority to exercise incidental powers similar to that is authorized under federal regulations.
A.8909 (Jeffries)	S.6124 (Savino)	Chapter 5	Excludes home improvement loans insured by the Federal Housing Administration from the provisions of state law that would otherwise prohibit mortgage brokers from directly paying home improvement

			contractors.
A.8928-B (Nolan)	S.6276-B (Gianaris)	Passed Assembly	Requires all transmitters of money by wire or electronic transfer, to clearly and prominently warn customers about fraud prior to completing the transfer.
A.9123 (Robinson)	S.3779 (Smith)	Chapter 47	Limits the number of personal mortgage loans that can be issued without acquiring a mortgage-banking license, to no more than five loans in a two-year period or no more than three loans in a calendar year.
A.9296 (Robinson)	S.6692 (Griffo)	Advanced to 3 rd Reading	Enhances the Banking Development District (BDD) program by clarifying the goals of the program and the criteria by which a branch's effectiveness should be measured.
A.9787 (Robinson)	S.219-A (Maziarz)	Chapter 403	Prohibits the transfer of funds as a penalty for providing final payment after a bank account holder has given oral or written communication to stop preauthorized electronic fund transfers.
A.9820 (Robinson)	S.6738-A (Seward)	Chapter 155	Makes the necessary correction and clarification to the various statutes of New York State Law to reflect the merger of Banking and Insurance Departments into the Department of Financial Services.

APPENDIX C
SUMMARY OF LAWS ENACTED DURING THE
2012 LEGISLATIVE SESSION

Assembly Bill Number Sponsor	Senate Bill Number Sponsor	Final Action	Description
A.7329 (Barron)	S. 886 (Krueger)	Chapter 404	Prohibits mortgage brokers and mortgage lenders from receiving yield spread premiums.
A.8909 (Jeffries)	S.6124 (Savino)	Chapter 5	Excludes home improvement loans insured by the Federal Housing Administration from the provisions of state law that would otherwise prohibit mortgage brokers from directly paying home improvement contractors.
A.9123 (Robinson)	S.3779 (Smith)	Chapter 47	Limits the number of personal mortgage loans that can be issued without acquiring a mortgage banking license, to no more than five loans in a two-year period or no more than three loans in a calendar year.
A.9787 (Robinson)	S.219-A (Maziarz)	Chapter 403	Prohibits the transfer of funds as a penalty for providing final payment after a bank account holder has given oral or written communication to stop preauthorized electronic fund transfers.
A.9820-A (Robinson)	S.6738-A (Seward)	Chapter 155	Makes the necessary correction and clarification to the various statutes of New York State Law to reflect the merger of Banking and Insurance Departments into the Department of Financial Services.
A.10567-A (Robinson)	S.6777-B (Griffo)	Chapter 180	Conformed New York Law to recent federal law amendments made by the Dodd-Frank Wall Street Reform and Consumer Protection Act, relating to interstate branching, as well as the establishment of branches and trust offices by both New York banks and out-of-state banks and trust companies.



ANNETTE M. ROBINSON
Assemblywoman 56th District
Kings County

CHAIR
Banks Committee

THE ASSEMBLY
STATE OF NEW YORK
ALBANY

COMMITTEES
Aging
Children and Families
Housing
Oversight, Analysis and
Investigation
Real Property Taxation
Small Business

December 15, 2012

The Honorable Sheldon Silver
Speaker of the Assembly
State Capitol, Room 349
Albany, NY 12248

Dear Speaker Silver:

As the Chairwoman of the Assembly Committee on Banks, I am pleased to submit its 2012 Annual Report.

During the 2012 legislative session, the Committee reported and passed legislation that improved the professionalism and regulation of the mortgage industry, ensured the effective regulation of the banking industry and protection of banking consumers.

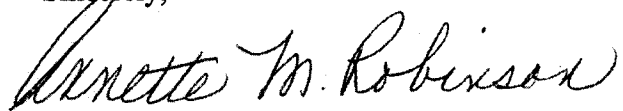
In the upcoming legislative session, the Banks Committee will seek once again to work closely with the Superintendent of the Department of Financial Services on legislation that may be necessary or appropriate to assist the agency to continue its mission “to reform the regulation of financial services in New York to keep pace with the rapid and dynamic evolution of these industries, to guard against financial crises and to protect consumers and markets from fraud.” The Banks Committee will also continue to collaborate with the Assembly committees on Housing and Judiciary to meet the challenges posed by the substantial number of mortgage foreclosures that continue to arise and cause devastation to New York families and communities where these foreclosures are concentrated.

I look forward to working with my legislative colleagues and the banking industry in 2013, particularly in order to increase access to affordable lending; financial protection for the elderly; improved financial institution accountability and customer service; expansion of services provided by the Banking Development District Program; and to promote financial literacy and education options available to the public.

On behalf of the members of the Committee and my Assembly colleagues, I want to thank you for your encouragement and continued support of our efforts to protect the financial interest of the state and its consumers. It is a pleasure serving as Chairwoman of the Assembly Banks Committee.

I am looking forward to a productive 2013 Legislative Session.

Sincerely,

A handwritten signature in black ink that reads "Annette M. Robinson". The signature is written in a cursive style with a large initial 'A'.

Annette M. Robinson, Chairwoman
Assembly Banks Committee