

BILL ANALYSIS

H.B. 2579
By: Holland
Investments & Financial Services
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Interested parties contend that the loss coverage bond requirements for savings banks should be updated to ensure that such banks are adequately covered against potential losses inherent in today's banking landscape. H.B. 2579 seeks to update those requirements.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

H.B. 2579 amends the Finance Code to change the type of bond required to be maintained by a savings bank from a blanket indemnity bond with an adequate corporate surety protecting the savings bank from certain loss to a financial institution bond that provides adequate coverage to protect the savings bank from certain loss. The bill changes that covered loss from loss by or through dishonest or criminal action or omission, including fraud, theft, robbery, or burglary, by an officer or employee of the savings bank or a director of the savings bank when the director performs the duty of an officer or employee to loss by or through dishonest or criminal action or omission, including fraud, theft, or misplacement, by an officer or employee of the savings bank, an attorney retained by the savings bank, a nonemployee performing data processing services for the savings bank, or a director of the savings bank performing a duty of an officer or employee and loss by other perils such as robbery, burglary, forgery, or alteration. The bill requires a savings bank that maintains a blanket indemnity bond on the bill's effective date to obtain a financial institution bond not later than January 1, 2018.

H.B. 2579 replaces the requirement that a savings bank that employs a collection agent who is not covered by the required bond provide for the bonding of the agent in a certain amount with a requirement that such a bank, not later than January 1, 2018, ensure that the savings bank is included as a loss payee in the collection agent's crime coverage and obtain a certificate of insurance evidencing the sufficiency of the collection agent's crime coverage.

H.B. 2579 replaces the requirement that the board of directors of a savings bank approve the amount and form of the bond and the sufficiency of the surety with a requirement that the board at least annually review and approve the coverage, including the amount of the coverage, provided by the bond and the form of the bond and the sustainability of the corporate surety or insurer that issued the bond. The bill makes the effective date of a cancellation by the surety or the insured provided by the bond applicable to a termination beyond a cancellation and a

cancellation or other termination by the insurer. The bill changes the rules the Finance Commission of Texas may adopt from rules establishing the amount and form of the bond and the sufficiency of the surety to rules establishing the coverage, including the amount of the coverage, that must be provided by the bond and the form of the bond and the sustainability of the corporate surety or insurer that issues the bond.

EFFECTIVE DATE

September 1, 2017.