

The Senate Banking and Financial Institutions Committee offered the following substitute to SB 405:

A BILL TO BE ENTITLED
AN ACT

1 To amend Chapter 1 of Title 7 of the Official Code of Georgia Annotated, relating to
2 financial institutions, so as to provide for financial institutions to offer financial services to
3 customers consistent with procedures of the Department of Banking and Finance; to
4 authorize the department to enter into agreements with other regulatory authorities; to
5 authorize banks to lease real or personal property; to authorize loan officers to serve as credit
6 committees; to prohibit licensing of certain persons convicted of certain crimes; to increase
7 the record-keeping time requirement; to change a certain definition; to require financial
8 institutions and money service businesses to comply with federal law; to establish
9 requirements for regulation for mortgage lenders and brokers; to provide for related matters;
10 to repeal conflicting laws; and for other purposes.

11 BE IT ENACTED BY THE GENERAL ASSEMBLY OF GEORGIA:

SECTION 1.

12 Chapter 1 of Title 7 of the Official Code of Georgia Annotated, relating to financial
13 institutions, is amended by striking subsection (a) of Code Section 7-1-72, relating to
14 regulation of persons performing financial services for financial institutions, and inserting
15 in its place the following:
16

17 "(a) Notwithstanding other provisions of law and consistent with the objectives of this
18 chapter as set forth in Code Section 7-1-3 and subject to the ~~prior approval~~ procedures
19 provided in regulations of the department, a financial institution may provide financial
20 services to its customers either directly or through employment of duly licensed persons
21 provided such financial institution or its licensed employee or agent has qualified under
22 other laws otherwise applicable to other providers of such financial services."

1 appointing a credit committee or, in lieu thereof, loan officers and a supervisory committee,
 2 and electing or appointing the officers, as provided in Code Section 7-1-655, who shall
 3 serve until the first directors' meeting after the first annual meeting. Notice of the meeting
 4 shall be given at least five days prior to the date of the meeting."

5 SECTION 5.

6 Said chapter is further amended by striking subsections (a), (b), and (f) of Code Section
 7 7-1-658, relating to procedures for issuance of loans by credit unions, and inserting in their
 8 place the following:

9 "(a) Credit unions may lend money to their members at reasonable rates of interest, which
 10 shall not exceed 1 1/4 percent each month on the unpaid balance, or such greater rates as
 11 shall be authorized for other financial institutions for such purposes as may be approved
 12 by the credit committee ~~or an authorized employee.~~

13 (b) Loans shall be supervised as follows:

14 (1) The credit committee shall have the general supervision of all loans to members. The
 15 credit committee shall hold such meetings as the business of the credit union may require
 16 and not less frequently than once ~~a month~~ each quarter to consider applications for loans.

17 Reasonable notice of such meetings shall be given to all members of the committee.
 18 Actions of the credit committee shall be reported to the board in such form as the board
 19 shall prescribe at each regular meeting of the board. No loan shall be made unless it is
 20 approved by a majority of the entire committee, except as provided in this Code section;

21 (2) The credit committee may appoint one or more employees to be loan officers and
 22 delegate to such persons the power to approve or disapprove loans subject to such
 23 limitations or conditions as the credit committee prescribes. Records of loans approved
 24 shall be maintained in such form as the credit committee shall prescribe and shall be
 25 made available to the credit committee upon request. All loans in excess of 50 percent of
 26 a credit union's maximum loan limitation or such lower limit as the credit committee
 27 shall establish shall be acted upon by the credit committee. The credit committee may
 28 not appoint more than one of its members to be a loan officer. No person shall have the
 29 authority to disburse funds of the credit union for any loan which has been approved by
 30 such person. ~~Not more than one member of the credit committee may be appointed as~~
 31 ~~provided in this paragraph;~~

32 (3) ~~An applicant for a loan may appeal to the directors from the decisions of the credit~~
 33 ~~committee, if it is so provided in the bylaws and in the way and manner therein provided.~~
 34 In lieu of a credit committee, the board of directors may appoint one or more loan officers
 35 and delegate to such persons the power to approve or disapprove loans subject to such
 36 limitations or conditions as the board prescribes. All other duties of the credit committee

1 as described in this article shall become the duties of the board of directors. Records of
 2 loans approved shall be maintained by the loan officers in such form as the board shall
 3 prescribe and a listing of all loans made, including the name of the borrower and the
 4 amount of the loan, shall be submitted to the board at each meeting; and

5 (4) Members may appeal a credit decision made by a loan officer to the credit committee
 6 or to the board if denied by the credit committee. Where there is no credit committee,
 7 appeal shall be made to the board."

8 "(f) Approval of loans by ~~either the credit committee or an authorized employee~~ shall be
 9 evidenced, prior to disbursement of the loan proceeds, by a writing signed by a committee
 10 member ~~or an authorized employee~~ stating that the committee ~~or an authorized employee~~
 11 has approved the loan. If the board appoints loan officers in lieu of a credit committee, it
 12 shall establish policies for approval of loans by those loan officers."

13 SECTION 6.

14 Said chapter is further amended by striking subsection (c) of Code Section 7-1-682, relating
 15 to qualifications of applicants for licenses to sell checks or money orders, investments
 16 required, and obtaining conviction data concerning the applicants, and inserting in its place
 17 the following:

18 "(c) The department shall not issue such license if it finds that the applicant or any person
 19 who is a director, officer, partner, agent, employee, or substantial stockholder of the
 20 applicant has been convicted of a felony involving moral turpitude in any jurisdiction or
 21 of a crime, which if committed within this state would constitute a felony involving moral
 22 turpitude under the laws of this state. For the purposes of this article, a person shall be
 23 deemed to have been convicted of a crime if such person shall have pleaded guilty to a
 24 charge thereof before a court or federal magistrate or shall have been found guilty thereof
 25 by the decision or judgment of a court or federal magistrate or by the verdict of a jury,
 26 irrespective of the pronouncement of sentence or the suspension thereof, unless such plea
 27 of guilty or such decision, judgment, or verdict shall have been set aside, reversed, or
 28 otherwise abrogated by lawful judicial process and regardless of whether first offender
 29 treatment without adjudication of guilt pursuant to the charge was entered, unless and until
 30 such plea of guilty or such decision, judgment, or verdict shall have been set aside,
 31 reversed, or otherwise abrogated by lawful judicial process or until probation, sentence, or
 32 both probation and sentence of a first offender have been successfully completed and
 33 documented or unless the person convicted of the crime shall have received a pardon
 34 therefor from the President of the United States or the governor or other pardoning
 35 authority in the jurisdiction where the conviction was had, or shall have received a
 36 ~~certificate of good conduct~~ an official certification or pardon granted by the State Board

1 of Pardons and Paroles ~~pursuant to the provisions of the executive law to remove the~~
 2 ~~disability under this article because of such conviction~~ which removes the legal disabilities
 3 resulting from such conviction and restores civil and political rights in this state. The term
 4 'substantial stockholder' as used in this subsection shall be deemed to refer to a person
 5 owning or controlling 10 percent or more of the total outstanding stock of the corporation
 6 in which such person is a stockholder."

7 SECTION 7.

8 Said chapter is further amended by striking the introductory language of subsection (a) of
 9 Code Section 7-1-687.1, relating to maintenance and retention of books, accounts, and other
 10 records, and inserting in its place the following:

11 "(a) Each licensee shall make, keep, and reserve the following books, accounts, and other
 12 records for a period of ~~three~~ five years:"

13 SECTION 8.

14 Said chapter is further amended by striking subsection (b) of Code Section 7-1-702, relating
 15 to background investigations of applicants for licenses to cash checks, drafts, or money
 16 orders, effect of past convictions, conviction data, license posting requirements, and term of
 17 licenses, and inserting in its place the following:

18 "(b) The department shall not issue such a license if it finds that the applicant, or any
 19 person who is a director, officer, partner, agent, employee, or substantial stockholder of the
 20 applicant, has been convicted of a felony involving moral turpitude in any jurisdiction or
 21 of a crime which, if committed within this state, would constitute a felony involving moral
 22 turpitude under the laws of this state. For the purposes of this article, a person shall be
 23 deemed to have been convicted of a crime if such person shall have pleaded guilty to a
 24 charge thereof before a court or federal magistrate; or shall have been found guilty thereof
 25 by the decision or judgment of a court or federal magistrate or by the verdict of a jury,
 26 irrespective of the pronouncement of sentence or the suspension thereof, unless such plea
 27 of guilty; or such decision, judgment, or verdict; shall have been set aside, reversed, or
 28 otherwise abrogated by lawful judicial process and regardless of whether first offender
 29 treatment without adjudication of guilt pursuant to the charge was entered, unless and until
 30 such plea of guilty or such decision, judgment, or verdict shall have been set aside,
 31 reversed, or otherwise abrogated by lawful judicial process or until probation, sentence, or
 32 both probation and sentence of a first offender have been successfully completed and
 33 documented or unless the person convicted of the crime shall have received a pardon
 34 therefor from the President of the United States or the governor or other pardoning
 35 authority in the jurisdiction where the conviction was had, or shall have received a

1 ~~certificate of good conduct~~ an official certification or pardon granted by the State Board
 2 of Pardons and Paroles ~~pursuant to the provisions of the executive law to remove the~~
 3 ~~disability under this article because of such conviction~~ which removes the legal disabilities
 4 resulting from such conviction and restores civil and political rights in this state. The term
 5 'substantial stockholder' as used in this subsection shall be deemed to refer to a person
 6 owning or controlling 10 percent or more of the total outstanding stock of the corporation
 7 in which such person is a stockholder."

8 **SECTION 9.**

9 Said chapter is further amended by striking subparagraph (F) of paragraph (6) of Code
 10 Section 7-1-911, relating to definitions relative to records and reports of currency
 11 transactions, and inserting in its place the following:

12 "(F) A licensee under Article 4 or Article 4A of this chapter and such other persons as
 13 may be engaged in the business of:

14 (i) Cashing checks for a fee; or

15 (ii) Performing transactions by wire or other electronic means to facilitate the
 16 movement or transfer of money."

17 **SECTION 10.**

18 Said chapter is further amended by striking paragraph (1) of subsection (a) of Code Section
 19 7-1-912, relating to records and reports of certain currency transactions, regulations
 20 governing currency transactions, commissioner's authority to examine or investigate under
 21 Code Section 7-1-64, prohibited acts, and definitions, and inserting in its place the
 22 following:

23 "~~(a)(1) Every financial institution shall keep a record of currency transactions in excess~~
 24 ~~of \$10,000.00 and shall comply with federal law as to their filing.~~ Financial institutions
 25 and other money service businesses are required by state law to comply with the filing,
 26 reporting, and record-keeping requirements provided for in federal law. The department
 27 may promulgate regulations that specify additional requirements for currency transaction
 28 reports, record keeping, and suspicious activity reports."

29 **SECTION 11.**

30 Said chapter is further amended by striking subsection (a) of Code Section 7-1-1003.2,
 31 relating to financial requirements for licensing and registration of mortgage lenders and
 32 mortgage brokers, and inserting in its place the following:

33 "(a) Each licensed mortgage broker must provide the department with a bond. The bond
 34 for a mortgage broker shall be in the principal sum of \$50,000.00 or such greater sum as

1 the department may require and the bond shall meet the other requirements of subparagraph
 2 (c)(2)(B) of this Code section. In lieu of a bond, a mortgage broker may: provide the
 3 department with evidence from the United States Department of Housing and Urban
 4 Development that the broker is a loan correspondent under Title I, Title II, or Title I and
 5 Title II for each year the broker is licensed by the department. The bond and the United
 6 States Department of Housing and Urban Development requirements are continuous in
 7 nature.

8 ~~(1) Provide the department with an audited financial statement that discloses that the~~
 9 ~~broker has a bona fide and verifiable tangible net worth of \$100,000.00, or~~

10 ~~(2) Provide the department with evidence from the United States Department of Housing~~
 11 ~~and Urban Development that the broker is a loan correspondent under Title I, Title II, or~~
 12 ~~Title I and Title II for each year the broker is licensed by the department. Such~~
 13 ~~requirement shall be continuous in nature."~~

14 SECTION 12.

15 Said chapter is further amended by striking Code Section 7-1-1003.3, relating to application
 16 for registration as a mortgage lender or mortgage broker, and inserting in its place the
 17 following:

18 "7-1-1003.3.

19 (a) An application to register as a mortgage lender or broker under this article shall be
 20 made annually in writing, under oath, on a form provided by the department, subject to
 21 requirements specified by rules and regulations of the department ~~and shall be renewed~~
 22 ~~each year by April 1.~~

23 ~~(b) The application shall include all of the items requested of applicants for licenses in~~
 24 ~~Code Section 7-1-1003."~~

25 SECTION 13.

26 Said chapter is further amended by striking subsection (i) of Code Section 7-1-1004, relating
 27 to the investigation of applicants for mortgage lender or mortgage broker licenses, and
 28 inserting in its place the following:

29 "(i) The department may not issue a license to and may revoke a license from an applicant
 30 or licensee if such person employs any other person against whom a final cease and desist
 31 order has been issued within the preceding three years, if such order was based on a
 32 violation of Code Section 7-1-1013 or based on the conducting of a mortgage business
 33 without a required license, or whose license has been revoked within three years of the date
 34 such person was hired. Each applicant and licensee shall, before hiring an employee,

1 examine the department's public records to determine that such employee is not subject to
 2 the type of cease and desist order described in this subsection."

3 SECTION 14.

4 Said chapter is further amended by striking subsections (a) and (b) of Code Section 7-1-1010,
 5 relating to annual financial statements of mortgage brokers, and inserting in their place the
 6 following:

7 ~~"(a) Each mortgage broker licensed or registered under this article shall submit to the~~
 8 ~~department initially an unaudited financial statement certified to be true and correct by the~~
 9 ~~mortgage broker; provided, however, that if the mortgage broker is using its net worth and~~
 10 ~~not a surety bond or letter of credit to meet the requirements for licensure in Code Section~~
 11 ~~7-1-1003.2, the mortgage broker shall submit to the department with the initial application~~
 12 ~~for licensure and with any renewal applications an audited financial statement. If a~~
 13 ~~mortgage broker is a United States Department of Housing and Urban Development loan~~
 14 ~~correspondent, such broker must also submit to the department the audit that is required for~~
 15 ~~the United States Department of Housing and Urban Development. The department may~~
 16 require the mortgage broker to have made an audit of the books and affairs of the licensed
 17 or registered business and submit to the department an audited financial statement if the
 18 department finds that such an audit is necessary to determine whether the mortgage broker
 19 is complying with the provisions of this article and the rules and regulations adopted in
 20 furtherance of this article.

21 (b) Each mortgage lender licensed or registered under this article shall at least once each
 22 year have made an audit of the books and affairs of the licensed or registered business and
 23 submit to the department at renewal an audited financial statement, except that a mortgage
 24 lender licensed or registered under this article which is a subsidiary shall comply with this
 25 provision by annually providing a consolidated audited financial statement of its parent
 26 company and a financial statement, which may be unaudited, of the licensee or registrant
 27 which is prepared in accordance with generally accepted accounting principles. A lender
 28 who utilizes a bond in lieu of an audit need not supply such audit, unless specially required
 29 by the department. An audit must be less than 15 months old to be acceptable. The
 30 department may by regulation establish additional minimum standards for audits and
 31 reports under this Code section."

32 SECTION 15.

33 All laws and parts of laws in conflict with this Act are repealed.