



# Common Sense Initiative

**Mike DeWine**, Governor  
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## Business Impact Analysis RESCINDED PACKAGES

**Agency Name:** Department of Commerce, Division of Financial Institutions \_\_\_\_\_

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**Regulation/Package Title:** Rules for Savings and Loan Associations \_\_\_\_\_

**Rule Number(s):** 1301:2-1-02; 1301:2-1-03; 1301:2-2-01; 1301:2-3-01; 1301:2-3-02; 1301:2-3-03;  
1301:2-3-04; 1301:2-4-01; 1301:2-4-02; 1301:2-4-03; 1301:2-4-04; 1301:2-4-05; 1301:2-5-01;  
1301:2-5-02 \_\_\_\_\_

**Date:** \_\_\_\_\_

**Rule Type:**

✓ Rescinded

The Common Sense Initiative is established in R.C. 107.61 to eliminate excessive and duplicative rules and regulations that stand in the way of job creation. Under the Common Sense Initiative, agencies must balance the critical objectives of all regulations with the costs of compliance by the regulated parties. Agencies should promote transparency, responsiveness, predictability, and flexibility while developing regulations that are fair and easy to follow. Agencies should prioritize compliance over punishment, and to that end, should utilize plain language in the development of regulations.

### Regulatory Intent

1. Please describe in plain language the regulation that is being rescinded.

**1301:2-1-02 Reimbursement for providing financial records** – This rule describes establishes the rates and conditions for reimbursement of actual and necessary costs directly

incurred by savings and loan associations in assembling or providing customer financial records to any party.

**1301:2-1-03 Record retention** – This rule sets forth the record retention schedule for savings and loan associations.

**1301:2-2-01 Net worth requirement** – This rule expands on the net worth (capital) requirements applicable to savings and loan associations.

**1301:2-3-01 Activities of service corporations** – This rule sets forth activities in which a service corporation that is a wholly-owned subsidiary of a savings and loan association may engage.

**1301:2-3-02 Repurchase and reverse repurchase agreements** – This rule outlines safety and soundness standards for a savings and loan association wishing to invest in repurchase or reverse repurchase agreements.

**1301:2-3-03 Operating subsidiaries** – This rule provides the conditions under which a savings and loan association may establish, acquire, or engage in new activities in an operating subsidiary.

**1301:2-3-04 Commercial lending** – This rule states maximum amount of commercial loans a savings and loan association can make, contingent on maintaining a certain amount of reserves.

**1301:2-4-01 Incorporation** – This rule details the application process for an organization to commence business as a savings and loan association in Ohio.

**1301:2-4-02 Change in control** – This rule clarifies requirements applicable to a change in control of a savings and loan association.

**1301:2-4-03 Agency agreement between savings and loan association and affiliate and non-affiliate depository institutions** – This rule sets forth requirements with which a savings and loan association must comply when contracting with an affiliate or non-affiliate depository institution.

**1301:2-4-04 Conversion from mutual to stock** – This rule sets forth the application process for a mutual savings and loan association to convert to a stock savings and loan association.

**1301:2-4-05 Remote service units** – This rule sets forth the conditions under which a savings and loan association may establish or use a remote service unit.

**1301:2-5-01 Directors** – This rule sets forth the minimum number of directors of a savings and loan association.

**1301:2-5-02 Bonds for officers and employees** – This rule states the minimum fidelity bond coverage that a savings and loan association must maintain.

**2. Why is the regulation being rescinded?**

*Please be specific (ORC change, request of stakeholders, etc.)*

Ohio's banking code was recently amended. See 132<sup>nd</sup> General Assembly, H.B. 49, § 130.23, eff. Jan. 1, 2018. The amendment created a universal state bank charter and repealed Revised Code Chapters 1151, 1153, 1155, and 1155 (the Savings and Loan Association statutes). The repeal of the Savings and Loan Statutes necessitates the rescission of the administrative rules amplifying those laws.

**3. Please describe in general terms the adverse impacts to business, including currently impacted industries, in the existing rule(s).**

Each of the existing rules apply to and affect the savings and loan associations industry.

**1301:2-1-02 Reimbursement for providing financial records** – The rule does not adversely impact the savings and loan associations industry.

**1301:2-1-03 Record retention** – A savings and loan association may expend minimal time and resources to maintain records in compliance with the rule.

**1301:2-2-01 Net worth requirement** – Capital requirements have historically been an integral component of financial institution regulation. The amount of time and resources devoted to compliance with the rule depends on an institution's financial condition, business model, and other factors. The rule does not adversely affect the industry as it provides for parity with federal rules applicable to state savings and loan associations.

**1301:2-3-01 Activities of service corporations** – A service corporation may need to expend minimal time and resources to file the required letter of intent with the Division when intending to engage in an activity not expressly authorized by the rule.

**1301:2-3-02 Repurchase and reverse repurchase agreements** – A savings and loan association may need to expend minimal time and resources to establish the written guidelines the rule requires prior to entering into a repurchase or reverse repurchase agreement.

**1301:2-3-03 Operating subsidiaries** – A savings and loan association wishing to establish, acquire, or engage in new activities in an operating subsidiary may need to expend minimal time and resources to provide the Division with the requisite written notice prior to engaging in such new activities.

**1301:2-3-04 Commercial lending** – Maintaining a certain level of reserves could be described as a cost to a savings and loan association. However, adequate reserves protect the savings and loan association against the risk of increased commercial lending.

**1301:2-4-01 Incorporation** – As with the incorporation of any business, a proposed savings and loan association would need to expend time and resources to submit to the Division an application to organize in Ohio.

**1301:2-4-02 Change in control** – An individual or entity acquiring a savings and loan association may need to expend time and resources to comply with the notice provisions of the rule.

**1301:2-4-03 Agency agreement between savings and loan association and affiliate and non-affiliate depository institutions** – A savings and loan association would need to expend minimal time and resources to notify the Division prior to contracting with an affiliate or non-affiliate depository institution.

**1301:2-4-04 Conversion from mutual to stock** – As with a corporate reorganization, a savings and loan association wishing to convert from a mutual to a stock form would expend costs in the form of legal assistance, time, and resources.

**1301:2-4-05 Remote service units** – Cost of compliance with the rule varies by institution.

**1301:2-5-01 Directors** – A savings and loan association may need to expend minimal time and resources to retain a board of directors in compliance with the rule.

**1301:2-5-02 Bonds for officers and employees** – There is a cost for a savings and loan association to maintain a fidelity bond in compliance with the rule. Similar coverage is required for all financial institutions and is necessary to protect depositors and others from the risk of loss.

4. **Are there other regulations (either existing or to be created) which will replace the regulation being rescinded or which will now apply because this regulation is being rescinded? This can include rules, statute, federal regulations, agency policies, or industry standards etc.**

Banks, savings and loan associations, and savings banks now operate under the same charter and with the same standards and powers.

**1301:2-1-02 Reimbursement for providing financial records** – Ohio Adm.Code 1301:1-1-05 provides for reimbursement to state banks for assembling or providing financial records.

**1301:2-1-03 Record retention** – R.C. 1109.69 outlines record retention requirements for state banks

**1301:2-2-01 Net worth requirement** – Ohio Adm.Code 1301:1-2-01, which amplifies section 1101.01 of the Revised Code, outlines the capital requirements for state banks.

**1301:2-3-01 Activities of service corporations** – Ohio Adm.Code 1301:1-3-11 outlines the process for a state bank to obtain approval prior to acquiring, establishing, or performing a new activity through a bank service corporation.

**1301:2-3-02 Repurchase and reverse repurchase agreements** – While the bank code and administrative rules do not contain express safety and soundness standards for a state bank wishing to invest in repurchase or reverse repurchase agreements, a state bank's investments must promote the state bank's safety and soundness.

**1301:2-3-03 Operating subsidiaries** – Ohio Adm.Code 1301:1-3-10 provides the process for a state bank to notify the Division of its intention to acquire, establish, or perform new activities in an operating subsidiary.

**1301:2-3-04 Commercial lending** – R.C. 1109.16 and Ohio Adm.Code 1301:1-3-02 contain standards related to commercial loans.

**1301:2-4-01 Incorporation** – R.C. 1113.02 and 1114.02 outline the requirements for a proposed stock and mutual state bank, respectively, to incorporate.

**1301:2-4-02 Change in control** – Ohio Adm.Code 1301:1-4-06 clarifies requirements applicable to a change in control of a state bank.

**1301:2-4-03 Agency agreement between savings and loan association and affiliate and non-affiliate depository institutions** – Ohio Adm.Code 1301:1-4-13 outlines requirements applicable to an agency agreement between a state bank and an affiliated or unaffiliated depository institution.

**1301:2-4-04 Conversion from mutual to stock** – R.C. 1115.03 outlines the procedure by which a mutual state bank may convert into a stock state bank.

**1301:2-4-05 Remote service units** – R.C. 1101.01 stipulates that the term “banking office” does not include a remote service unit.

**1301:2-5-01 Directors** – R.C. 1105.01(A) sets forth the minimum number of directors a state bank.

**1301:2-5-02 Bonds for officers and employees** – R.C. 1105.04 requires each officer and employee of a state bank, before the officer or employee begins the to be covered by an individual, schedule, or blanket fidelity bond in favor of the bank.

**5. Does the rescission of this regulation eliminate flexibility or create more adverse impacts for stakeholders? If yes, please describe stakeholder outreach and justify the impacts.**

No, the rescission of these rules does not eliminate flexibility or create more adverse impacts for stakeholders.