The Department’s housekeeping legislation contains proposed legislative changes, identified internally or suggested by the industry over the course of the previous year, for the majority of the industries regulated by the Department. The Department has worked with the impacted trade associations in its efforts to streamline or simplify existing statutes to make the Department’s regulation more efficient and/or ease regulatory burden. For the majority of these items, the associations have preliminarily indicated that they have no opposition to the concepts the Department seeks to include in the housekeeping bill.

If passed, the legislation will reform currently existing statutes to make Georgia more competitive for businesses as well as focus state resources on essential services. The Department highlights the following substantive changes in the attached draft housekeeping legislation.

**Supervision:**

1. **Credit union formation changes**: The Department is in the midst of reviewing all of its processes in an effort to streamline applications and notifications for both banks and credit unions. As part of this review, a handful of changes were made last session in HB876 related to the formation of new banks. The Department proposes to carry forward two of the changes from last session and apply them to the formation of new credit unions. The proposed revision removes the requirement that the articles of incorporation of a credit union provide the home addresses of the incorporators and replaces it with a requirement that their county of residence be listed. In addition, the proposed amendment provides that the Department may elect to not act on an application by a credit union if it requires approval from a federal regulatory body as opposed to the Department having to act on the application within 90 days and then withdraw the approval if the application is not approved by the federal regulator. The Department also proposes to require a credit union to publish notice of its application to form a credit union in the official organ of the county where the main office will be located (a slight modification has also been proposed to the de novo bank publication requirement to align language). Finally, the proposal seeks to add two factors the Department must consider when evaluating a de novo credit union application: the adequacy of the capital structure and the convenience and needs of the community to be served by the credit union. (O.C.G.A. §§ 7-1-392; 7-1-630; 7-1-632).
2. **Bank holding company formations and acquisitions**: The Department has the ability to consider the character and fitness of management in the context of a bank or credit union formation or merger. The proposed revision expressly authorizes the Department to consider the “competence, character, and experience” of management in considering an application for the formation or acquisition of a holding company. This alignment with the requirements for banks is especially critical given that a bank holding company exercises significant control over a bank. (O.C.G.A. § 7-1-606).

1. **Reporting to the Board of Directors of a credit union**: Current law provides that if a credit union does not have a credit committee, then reports of all loans of less than 5 percent of net worth must be provided to the Board of Directors at all meetings. This would require individual reporting of unsecured signature loans and car loans. It is the view of the Department that this is a burdensome requirement with little benefit as it relates to the oversight of the credit union. The proposed revision provides that such report of loans shall be maintained by the credit union but only provided to the Board of Directors upon its request. (O.C.G.A. § 7-1-658).
2. **Foreign bank offices:** HB55, which was signed into law in 2023, significantly updated Georgia’s foreign bank laws in an effort to make the Georgia license competitive with the licenses offered by other states and the Office of the Comptroller of the Currency. The Department, with input from the industry, is in the process of drafting rules and regulations for foreign bank offices and anticipates issuing the proposed rules before the end of this year. As part of the rulemaking process the Department has identified the following statutory areas for further refinement. In order to operate a foreign bank branch or foreign bank agency, the entity must pledge deposits or assets to help ensure that funds are available to distribute to creditors in the event of a failure. The law currently indicates that the foreign bank must have deposited money or securities. As it is unusual to view securities as being “deposited,” the amendment proposes to revise the language to provide that deposits or securities will be “pledged.” In addition, the Department proposes that it be authorized to prescribe certain notice procedures, as opposed to requiring an application, for routine requests such as establishing additional offices in Georgia, amending the entity’s name, or altering the duration of corporate existence. The Department also seeks an amendment to permit a foreign bank office to provide notice if it wants to relocate within this state, as opposed to filing an application, but authorize the Department to require an application if there are any supervisory concerns. Additionally, the Department proposes to update the definition of “state” to include the District of Columbia, in order to align with federal law. The Department also proposes to update one incorrect cross-reference and to eliminate another one. Finally, the Department seeks to strike the language continuing the existing 2023 registrations for foreign bank representation offices as all of those entities renewed their registrations in 2024. Therefore, this provision no longer serves any purpose. (O.C.G.A. §§ 7-1-1101; 7-1-1110; 7-1-1111; 7-1-1118; 7-1-1119; 7-1-1121; 7-1-1123; 7-1-1132; 7-1-1138).
3. **Updates to the Merchant Acquirer Limited Purpose Bank Act:** Roughly 13 years ago the Merchant Acquirer Limited Purpose Bank (MALPB) Act became law in Georgia. The purpose of the law was to create a path for merchant acquirers, many of which are located in Transaction Alley here in Georgia, direct access to the payment card networks (i.e. Visa, MasterCard) without having to contract with a bank to utilize its bank identification number (a practice referred to as rent-a-BIN). The payment card networks were not receptive to this charter when the law was first passed. In fact, even though the Department did charter an MALPB it never obtained approval from the networks to operate. Based on discussions over the past year, at least one of the networks is now receptive to the MALPB charter, one significant player (Fiserv) has submitted an application, and two other significant players in the space have indicated that they intend on submitting an application for the charter in the future. As part of reviewing the application and the continuing discussions with interested parties, the Department has identified some potential areas for updating. One of the payment card networks has expressed concern that the language in the Code authorizing the Department to utilize “all enforcement powers provided in this title” will not permit the Department to place an MALPB into receivership or initiate forfeiture proceedings. Although the Department does not believe that this concern is valid, the Department proposes that language be included to specifically provide that the receivership and forfeiture processes apply to alleviate any concern of the payment card network that could preclude it from authorizing the MALPB to operate. In addition, the Department proposes that the language related to the protections over merchant funds be modified to contemplate a business structure where the MALPB may not “deposit” the merchant funds but instead a third-party may deposit the funds. The Department also proposes the inclusion of language which will permit the Department to approve alternative arrangements to safeguard merchant funds. Finally, the Department proposes to eliminate the requirement that MALPBs conduct GCIC checks on employees and instead replace it with a requirement that MALPBs conduct commercial background checks on employees. This change will align with the revision to the criminal background check requirements for non-depository entities enacted in 2023 (HB55). (O.C.G.A. §§ 7-9-7; 7-9-12.1; 7-9-13).

**Non-Depository Financial Institutions:**

1. **Prudential standards for mortgage lenders and mortgage brokers**: Due to the large number of licensees per number of examiners, the Department is in the process of revamping its mortgage examination program to place greater focus on those licensees that impose the greatest risk to Georgia consumers. Although the matrix is still being developed, the largest component is the number of residential loans made to Georgia consumers or number of Georgia mortgage loans serviced. Also, as part of the revamping, the focus of examinations is going to shift to the safe and sound operations of licensees. The Conference of State Bank Supervisors prepared a model prudential standard law focused on financial condition and corporate governance of certain mortgage servicers. The model law aligns with federal minimum eligibility requirements from FHFA for Fannie and Freddie and applies to “covered servicers,” those lenders that service 2,000 or more mortgage loans. The Department proposes that provisions from the model law related to covered servicers be adopted and that a number of the concepts from the model law be applied to mortgage brokers and those mortgage lenders that are not covered servicers. Generally speaking, the Department is proposing three key provisions. The first key component is that mortgage brokers can provide an annual audit or annual unaudited financial statements in accordance with GAAP and that mortgage lenders submit an annual audit in accordance with GAAP to the Department. Under current law the Department has the ability to require mortgage lenders to provide audits. In addition, the Department currently has the ability to require mortgage brokers to provide audited financial statements if it finds that an audit is necessary to determine whether a mortgage broker is complying with the Georgia Residential Mortgage Act. The second element deals directly with the financial condition of licensees. The proposal provides that mortgage brokers must maintain a net worth of $50,000, mortgage lenders that are not covered servicers must maintain a net worth of $100,000 and liquidity of $1,000,000, and covered servicers must meet the capital, net worth, net worth ratio, and liquidity requirements established by FHFA. Licensees are required to have policies and procedures to meet the financial conditions requirements and lenders must have cash management and business operating plans consistent with the size and complexity of the entity. The final component addresses corporate governance requirements. All licensees must have a Board of Directors or similar body that exercises oversight over the licensee. The oversight body is responsible for ensuring that, consistent with the size and complexity of the licensee, the licensee has established the following items: corporate governance framework, internal audit function, risk management program, and risk management assessment. The Department has the ability to decrease or increase these requirements depending on the condition of the individual licensee or general economic conditions. (O.C.G.A. §§ 7-1-1000; 7-1-1010; 7-1-1022; 7-1-1023).
2. **Modify the felony prohibition**: All non-depository entities are precluded from having a director, partner, officer, owner, or covered employee (“affiliated individual”) that has been convicted of a felony unless the individual has obtained an identified “cure” of the conviction (e.g. a pardon). Throughout the years, the Department has encountered a number of situations where affiliated individuals have had non-financial related felony convictions from decades ago that could not satisfy the “cure” requirements for various reasons. The Department seeks an amendment to preclude licensees from having an affiliated individual that has been convicted of a non-financial crime within the last seven years but still preclude licensees from having an affiliated individual that has ever been convicted of a financial crime. This proposed treatment would align with federal law. Under the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (“SAFE Act”), mortgage loan originators, a large subset of covered employees for mortgage lenders and brokers, cannot be licensed if they have ever been convicted of a financial crime or convicted of a non-financial crime within the last seven years. The seven year requirement for non-financial crimes is a floor and states are authorized to have a longer prohibition. Georgia is one of only three states (Arkansas and Nebraska) with a permanent felony prohibition for mortgage loan originators. Although the Department recognizes that the SAFE Act is limited to mortgage loan originators, it seems appropriate to have consistent treatment for individuals previously convicted of felonies across all of our non-depository business lines. (O.C.G.A. §§ 7-1-680, 7-1-684, 7-1-700, 7-1-703, 7-1-1000 7-1-1004, 7-3-3, 7-3-42)
3. **Administrative withdrawal process for incomplete applications**: The Department receives a number of applications, especially from mortgage loan originators, that are incomplete and applicants fail to submit all of the required information even after repeated requests from the Department. The current mechanism for the Department to resolve such incomplete applications is for the Department to initiate an administrative action and issue a notice of intent to deny application. In addition to creating work for the Department, this has potentially serious ramifications for applicants because if an application is ultimately denied it can have negative consequences on licenses the applicants may have in other states. The Department proposes to create an administrative withdrawal process where it will provide applicants with notice that their application is incomplete and applicants will have thirty days to provide a completed application. As opposed to having a final administrative action issued against them, the only negative consequence will be that applicants will have to re-pay the application fee if they wish to reapply. (O.C.G.A. §§ 7-1-683; 7-1-702; 7-1-1003; 7-3-20).

In addition to these more substantive changes, the Department proposes the following general clean-up provisions: a) clarifies that certain change in control provisions applies to changes in control at a holding company (O.C.G.A. § 7-1-235); and b) eliminates the requirement that a solicitation from a mortgage lender that does not own the loan list the name of the current owner of the loan (O.C.G.A. § 7-1-1016).