

MINUTES  
**HOUSE BUSINESS COMMITTEE**

- DATE:** Tuesday, February 05, 2013
- TIME:** 1:30 P.M.
- PLACE:** Room EW41
- MEMBERS:** Chairman Henderson, Vice Chairman Thompson, Representatives Collins, Crane, Palmer, Barbieri, Batt, Agidius, Clow, Hixon, Kauffman, Monks, Morse, Stevenson, Youngblood, Smith, Rusche, Gannon
- ABSENT/  
EXCUSED:** None
- GUESTS:** Michael Larsen, Dept. of Finance; Ken Howell, Idaho Bankers Association; Russell Westerberg, Rocky Mountain Power; Raeleen Welton, Westerberg and Associates; Brian Nicholas, Idaho Attorney General's Office; Gavin Gee, Idaho Dept. of Finance; Tyler Porter, Idaho Association of Mortgage Professionals; Teri Ottens, Idaho Association of Mortgage Professionals; Ray Stark, Boise Metro Chamber of Commerce; Mike Brassey, Idaho Financial Services Association; Mary Hughes, Idaho Dept. of Finance; Dawn Justice, Idaho Bankers Association; Jana Jones, Boise Valley Economic Partnership; Bradley Bergquist, Dept. of Finance; Joseph Jones, Dept. of Finance; Megan Ronk, Dept. of Commerce; Jeff Sayer, Dept. of Commerce
- Chairman Henderson** called the meeting to order at 1:30 P.M.
- MOTION:** **Rep. Hixon** made a motion to approve the Minutes of the January 29, 2013. **Motion carried by voice vote.**
- MOTION:** **Rep. Hixon** made a motion to approve the Minutes of the January 31, 2013. **Motion carried by voice vote.**
- RS 21843** **Jeff Sayer**, Dept. of Commerce, presented **RS 21843**, relating to the Idaho Opportunity Fund. He said this incorporates best practices that will help Idaho become more competitive in attracting and retaining businesses by building upon an existing Director's Fund and incorporating principles on how business development grants will be administered. He said grants of the Idaho Opportunity Fund will have three criteria: 1. Community matching funds are required, 2. A negotiated arrangement will be achieved specifying the number of jobs created and the amount of capital investment a potential grantee would bring to Idaho, 3. Grant funds will be disbursed after performance objectives are met. He said this RS formally establishes the fund in statute. He clarified helping existing Idaho companies expand or new companies to relocate to our state is the sole purpose of this RS and grant monies would only be used for infrastructure improvements. He said the current portfolio in Director's Fund is \$400,000 and the Idaho Opportunity Fund would add \$3,000,000 as a one time start up with no federal funds added. He added that this RS does not have a request for annual appropriations.
- MOTION:** **Rep. Thompson** made a motion to introduce **RS 21843** . **Motion carried by voice vote.**

**H 9:** **Mary Hughes**, Dept. of Finance, presented **H 9** relating to Limitations of Loans, Investments, Practices of Derivatives. She said **H 9** amends the amount of loans a bank can make to a person or a group of persons and brings Idaho law into compliance with federal law. She said many banks engage in non-complex derivatives for the purpose of mitigating interest rate fluctuation. She defined derivatives as financial contracts which derive value from something other than deposits, such as mortgage rates. She said risk exposure created by derivative transactions is limited by capping, therefore managing risk for small community banks. She said this is being mandated by federal law.

**Curt Hecker**, CEO, Panhandle State Bank **spoke in support of H 9**. He said a derivative is a financial contract that derives its value from market values of an underlying instrument (loans and deposits) and that banks use derivatives for hedging activities. He said the benefits are that Idaho community banks can stay competitive with large national, out of state banks and that it supports Idaho deposits returning to Idaho communities. He said bank regulators and Idaho Dept. of Finance are sensitive to risk and evaluate the community banks accordingly. He said that this is a risk mitigation tool and not a profit making tool.

**Ken Howell**, General Council Idaho Bankers Association, **spoke in support of H 9**. He said prior to enactment of the Dodd-Frank Act, there was no restriction on banks engaging derivative transactions. He said the Dodd-Frank Act imposed restrictions on use of derivatives and stressed the importance of Idaho banks compliance with and be allowed to use derivatives as this levels the playing field for national banks and state chartered banks. He said virtually every state in the union has examined their state laws and have needed to address their laws in order to come into compliance with the Dodd-Frank Act.

**Gavin Gee**, Department of Finance, **spoke in support of H 9** and stood for technical questions.

In accordance with House Rule 38, **Rep. Youngblood** disclosed that he is employed by the banking industry and that he does intend to vote in support of **H 9**.

**MOTION:** **Rep. Youngblood** made a motion to send **H 9** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Youngblood** will sponsor the bill on the floor.

**H 7:** **Michael Larsen**, Dept. of Finance, presented **H 7**, which authorizes the Director to offer non mortgage licensees the option of using the on-line Nationwide Mortgage Licensing System and Registry. He said on-line initialization and maintaining of professional licenses is of great interest among collection agency licensees and consumer lending industries and does not apply to banks and deposit institutions. He said use of this on-line registry will result in efficiencies for the Department of Finance as employees can respond quicker to applications and that it promotes uniformity in the application process.

**MOTION:** **Rep. Thompson** made a motion to send **H 7** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Clow** will sponsor the bill on the floor.

**H 10:** **Michael Larsen**, Dept. of Finance, presented **H 10**, an amendment to the Idaho Residential Mortgages Practices Act. He introduced **Tyler Porter**, President, and **Terry Ottens**, of the Idaho Association of Mortgage Professional as **supporters of H 10**. He said this measure: 1. Amends license renewal procedures to allow for a 60 day renewal period, providing less interruption of business, 2. License applications may be held for 60 days giving applicants time to complete the requirements of the application and after 60 days the application may be withdrawn without incurring a denial. He noted that a record of denial of applications can be detrimental to businesses. 3. Allows for a licensee to maintain an inactive license status. He said this gives licensees the ability to move from one type of employer to another without having to reapply for a new license, thereby helping people get new jobs. 4. These amendments must be made to Idaho SAFE Act under State authority otherwise the federal government will come in and provide this regulation.

**Tyler Porter**, Idaho Association of Mortgage Professionals **spoke in support of H 10**, citing in his speech close work with the Idaho Department of Finance in crafting this House bill.

**Brian Nicholas**, Department of the Attorney General, spoke regarding provisions of subpoena authority by the Department of Finance contained in **H 10**. He said the Department of Finance would have to have a reasonable basis to believe that an unlicensed individual was providing mortgage broker services in order to issue a subpoena.

**MOTION:** **Rep. Hixon** made a motion to send **H 10** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Hixon** will sponsor the bill on the floor.

**H 8:** **Michael Larsen**, Dept. of Finance, presented **H 8**, relating to Commercial Transactions (Consumer or Pay Day Loans). He said the purpose of this bill is to amend the Idaho Credit Code to clarify that a license is required to advertise or solicit to make consumer loans in Idaho. He said this answers complaints by consumers who engaged with on-line consumer lending businesses. He said this does not affect banks or other depository institutions.

**Mike Brassey**, Idaho Financial Services Association, **spoke in support of H 8**.

**MOTION:** **Rep. Smith** made a motion to send **H 8** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Smith** will sponsor the bill on the floor.

**ADJOURN:** There being no further business to come before the committee, the meeting was adjourned at 3:18 P.M.

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Representative Henderson  
Chair

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Catherine Costner  
Secretary