

Senate Commerce Committee

Aaron Jones 271-2609

SB 85, relative to chartered bank lending limits.

Hearing Date: March 4, 2025

Time Opened: 11:16 a.m.

Time Closed: 11:28 a.m.

Members of the Committee Present: Senators Innis, Ricciardi, Murphy, McGough and Reardon

Members of the Committee Absent : Senator Fenton

Bill Analysis: This bill:

I. Raises the amount of money a bank can loan to a single borrower.

II. Shortens the de novo status period for new banks.

Sponsors:

Sen. Pearl

Sen. Lang

Sen. Reardon

Sen. Innis

Sen. Rosenwald

Sen. McGough

Sen. Watters

Sen. Murphy

Sen. McConkey

Rep. D. McGuire

Rep. Moffett

Rep. Hunt

Rep. Potucek

Who supports the bill: Senator Howard Pearl, Senator Tim McGough, Senator Mark McConkey, Kristy Merrill (NH Bankers), Gordon Springate

Who opposes the bill: Emily Bingham

Who is neutral on the bill: Seth Zoracki (NH Banking Department), Josh Hipps (NH Banking Department)

Summary of testimony presented in support:

Senator Daniel Innis

- This bill would raise the amount of money a bank could loan to a single borrower, and it would shorten the de novo status period for new banks.

Senator Howard Pearl

- This bill was filed at the request of the New Hampshire Bankers Association.

- First, this bill would raise the legal lending limit for chartered banks from 15 percent to 20 percent of capital. There would be an option to increase to 25 percent if the additional 5 percent is fully secured.
 - Currently, these banks can only lend up to 15 percent of their capital to a single customer.
 - This change would bring New Hampshire into alignment with other jurisdictions.
- Second, the state's de novo period would be aligned with FDIC standards.
 - The de novo period is the initial phase for newly chartered banks wherein they undergo heightened regulatory scrutiny from the FDIC and the New Hampshire Banking Department.
 - The Department has a de novo period of 5 years, while the FDIC has a 3-year period.
- The amendment came from a collaboration between the Association and the Department.
- Senator Pearl said this bill would be very beneficial to the banks in the state, and it would bring the state into alignment with neighboring communities.

Kristy Merrill, President and CEO, New Hampshire Banking Association

- This bill would reinforce the strength and attractiveness of the state's banking industry, while also benefiting their customers and citizens throughout the state.
- Ms. Merrill said this bill was important for the banking industry because it would increase lender limits. Currently, banks can lend up to 15 percent of their capital power to a single borrower. Out-of-state banks that conduct business in New Hampshire, however, can lend up to 20 percent.
- Forty-four states have a legal lending limit of 20 percent or more, and 32 states have a limit of 25 percent or more. Ms. Merrill said this placed New Hampshire banks at a competitive disadvantage.
- When banks start to approach the cap, they have a financial partner in some instances to help finalize a deal. Typically, the partner is out-of-state.
- This bill would be most impactful for smaller banks because it would level the playing field.
- This bill would change the de novo period from 5 years to 3 years, which would make New Hampshire more attractive.
- Nationally, there has been a lot of consolidation within the industry. From 1990 to 2008, 100 banks were created per year. From 2009 to 2023, there were a total of 95 banks created throughout the U.S. Since 2007, New Hampshire has had 4 de novo banks.
- Ms. Merrill stated her Association was in support of the amendment.
- **Senator Reardon** asked if federal banks would stay at 15 percent of their capital, and if this bill would give state chartered banks an advantage over federal banks.

- **Ms. Merrill** replied yes. Federal banks would have the ability to go higher as well, but this bill would primarily affect New Hampshire banks.

Summary of testimony presented in opposition: None

Neutral Information Presented:

Seth Zoracki, General Counsel, and Josh Hipps, Attorney, New Hampshire Banking Department

- The Commissioner had no concerns as long as the amendment was incorporated into this bill.
- When a new state chartered bank would like to open, there is a detailed application process. Organizers of the new bank need to obtain approvals at both the state and federal level.
- In Section 1, the amendment is designed to ensure alignment of the application requirements at the state and federal level. This would allow for a more efficient review of the application.
- In Section 3, the bill referred to the statute that placed limitations on the loans that banks could make to one borrower. This prevented excessive loans to one person or to related persons who are financially dependent. New Hampshire is an outlier, so this amendment would give banks increased flexibility and align our limits with surrounding states.

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Date Hearing Report completed: March 10, 2025