



MBA Advocacy Report

Michigan Bankers Association • 517-485-3600

507 South Grand Avenue • Lansing, MI 48933

March 24, 2006

House Introduces Bill to Prevent Wal-Mart Branching

A bill was introduced this week in the state House that would prevent Industrial Loan Companies chartered in Utah from branching into Michigan (HB 5884). Recall that Wal-Mart proposed to charter an ILC in Utah and is applying for FDIC insurance. This move may be viewed as a means for Wal-Mart to begin offering depository banking services.

MBA strongly supports the concept of keeping commerce and banking distinctly separate. Gramm-Leach-Bliley and the Commerce Clause both mandate this separation. However, this bill clearly could not stand up to a test of constitutionality and is therefore without teeth. It is further pre-empted by the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994. In addition, it will negatively affect the ability of Michigan banks to branch into other states, therefore reducing the potential value of any Michigan bank franchise. MBA will continue to support effective countermeasures to Wal-Mart's foray into banking; however, MBA opposes this bill as it is ineffective and creates an illusion of efficacy.

MBA is observing legislative activity throughout the United States. Many banking associations are pursuing different ideas to restrict Wal-Mart's ability to conduct commercial banking. These are in process and we will report accordingly.

Wal-Mart Drops Proposed CRA Exemption

Wal-Mart announced this week that it would drop its proposal for exemption from the Community Reinvestment Act when forming its ILC. This move is seen as an attempt to quiet criticism from Congressional Democrats, but does little to allay the fears of the banking industry. In fact, we see it as further confirmation that they may begin a full-service bank at some time in the future.

FDIC Releases Agenda for Wal-Mart Hearing

The FDIC released a draft agenda for its hearings on Wal-Mart's deposit insurance application slated for April. Art Johnson, chairman of the ABA's Government Relation Council and CEO of United Bank of Michigan, Grand Rapids, is scheduled to testify on behalf of the ABA. Representatives from the Colorado, Iowa, Kansas, Massachusetts, Minnesota, Missouri, North Dakota, and Wisconsin Bankers Associations will also testify. [Click here](#) to read the agenda.

Cunningham Withdraws DLEG Nomination

Former Lansing Community College President (but still on the LCC Payroll) Paula Cunningham withdrew her name from consideration this month for the Director of the Department of Labor and Economic Growth (DLEG) position. Acting director Bob Swanson will remain in that position until a replacement is found. It seems you may not regulate and be on the payroll of a recipient organization. Go figure.

Data Breach Legislation Approved

Last week, the U.S. House Financial Services Committee overwhelmingly approved H.R. 3997, the new data security legislation. The committee rejected several proposed amendments, including one that would have allowed states' attorneys general to enforce the data breach laws and then sue banks it found in violation. THIS IS A HUGE VICTORY. If the AGs had been given this power, the banking industry would be facing a situation similar to the tobacco industry and possibly paying out huge settlements across several states. The legislation also creates a single national standard for all businesses and holds them to bank-like standards. The bill must now pass both the full House and Senate before going to the President for his signature. Problems remain in a Senate Finance Committee that appears uninterested in this federal issue.

Bill to Kill SBT Moving Through Legislature

In the last few weeks, the state House and Senate have both passed HB 5743, which sunsets the SBT at the end of 2007. Language in the bill puts the onus on Governor Granholm to come up with a revenue alternative by that time, but prohibits raising taxes on individuals. The Governor questions the constitutionality of the language and does not want to sign a tax cut unless a replacement is in place, making it revenue neutral. The House must now approve minor adjustments in the bill made by the Senate, after which it will go to the Governor. She has threatened to veto...again...yawn.

Minimum Wage Likely to Rise

This month, the state House and Senate have both passed legislation hiking the state's minimum wage. The legislation would increase the minimum wage to \$6.95 on Oct. 1 of this year, to \$7.15 on July 1 of 2007 and to \$7.40 on July 1, 2008. There also exists a ballot proposal to raise the minimum wage and would peg the wage lower than the Senate's legislation. If adopted by the people, the ballot proposal would take precedence.

Political Observation:

The State Minimum Wage is the subject of a Democratic Party created ballot proposal in November 2006. Polling conducted by interested business groups and Republican leaders has shown that this ballot question will tilt the voter turnout for this November's election toward a less than neutral pool. Those affected by the minimum wage increase and those traditionally sympathetic to minimum wage issues are more motivated to vote on this proposal than those who are less affected or believe free market principles set wages. With the Governor's office, Republican Senate, House, Secretary of State, Attorney General, and one Supreme Court Justice at risk, Republican leadership, the Michigan State Chamber and others advocated for this unusual election year strategy in a state with the highest unemployment.

Economic analysts have demonstrated there is a correlation with minimum wage increase and loss of entry level, minimum skill jobs. Further, analysts have also reported this reduction in jobs availability strikes most often on urban minority male members of our citizenry.

The Governor threatened to veto...but signs the bill(?).

New Poll Shows DeVos, Granholm in Dead Heat

A new MRG poll released this week shows the Governor leading Republican challenger Dick DeVos 43-41. With a margin of error of 4.1%, this 600-person statewide poll is a statistical dead heat. The poll also showed Attorney General Mike Cox leading Democratic challenger Scott Bowen 33-25 and Secretary of State Terri Lynn Land leading Democratic challenger Mary Watters 44-27.

The most important information in this poll states that 75% of those surveyed believe that Michigan is headed in the wrong direction. This is the highest number of respondents in a political survey to respond this way since 1982 when this question began to be asked in MRG's quarterly surveys. Also the poll results in the Governor's race demonstrated no gender gap with men and women voting equally for either candidate.

FDIC Increases Retirement Account Coverage

The FDIC announced last week that it will increase its coverage of retirement accounts to \$250,000, effective April 1, 2006. The accounts affected include traditional and Roth IRAs, self-directed Keough accounts, 457 plans for state employees and employer-sponsored self-directed defined contribution accounts. Click [here](#) for more details.

If you are interested in past issues of the Advocacy Report – [click here](#).

FOR MORE INFORMATION, or if you have any questions about any items mentioned in this report, please contact [John Llewellyn](#) at (517) 342-9058.