

## SENATE COMMERCE AND LABOR COMMITTEE

## MINUTES OF MEETING

TUESDAY, APRIL 17, 1973

The meeting was called to order at 5:00 p.m.

Senator Drakulich in the chair.

PRESENT: Senator Herr  
Senator Blakemore  
Senator Lamb  
Senator Pozzi  
Senator Swobe  
Senator Hecht

- ✓ A. B. 691 - Requires the claimant to show that he voluntarily left his most recent employment for good cause in order to qualify for unemployment benefits.

Roy Torvinen, Assemblyman, appeared before the committee and spoke in support of the measure.

Lou Paley, Nevada AFL-CIO spoke in opposition to the bill. He stated that any working man should be able to file for his unemployment benefits.

Bill Gibbens, of the Gibbens Company, spoke in support of the bill.

- A. B. 865 - Permits deposit of public funds in federally insured savings and loan associations.

Frank Fahrenkopf, representing Home Savings Association, spoke in support of the legislation. Mr. Fahrenkopf presented a copy of the United States Code Annotated which deals with banks and banking and savings and loan accounts. Said copy is attached hereto as exhibit B.

Mr. Fahrenkopf stated that the important sections of the bill was on page five, where all the language which is of any importance is located.

On page 5 at sections 8 and 9, at lines 8 through 20, the bill provides that the State Treasurer and local treasurer can deposit public funds in either banks or insured savings and loan associations. The important that must be borne in mind is the difference between the deposits by the state treasurer and what is deposited by treasurers of local governmental bodies. Any funds deposited by the state treasurer either in a bank or a savings and loan requires that depository to post with the treasurer involved full collateral in an amount equal to the public funds deposited.

There is insurance and adequate resource because the deposit is collateralized.

The other question has to do with Federal insurance. At the present time only state treasurer's money deposited in banks need be collateralized. Any funds deposited by the local treasurers is only insured up to \$20,000, by the Federal Deposit Insurance Corporation. There is legislation at the present time in Congress to allow savings and loan associations and banks to insure all public funds one hundred percent.

This bill before you would allow the savings and loan associations to insure all public funds up to one hundred percent. Thus, there is no solvency problem.

Mr. Fahrenkopf introduced the following gentlemen:

Charles Horsey, Home Savings Association from Las Vegas, President  
Bob Banks, Executive Vice President  
General R. G. Taylor, Chairman of the Board of First Western Savings and Loan  
James Kelly, Nevada Savings and Loan  
John Kerr, Vice President of American Savings and Loan  
Wendell Tarkington, Commissioner of Savings Association

Senator Blakemore asked if they had to keep reserves. The answer was yes.

Senator Hecht: When you say fully insured, do you mean you can only accept a deposit of \$20,000.

No, they would insure fully through the Federal Savings and Loan Insurance Corporation.

Senator Lamb: I would like to clear the air before we go any farther. I work for a bank, but I have stock in a savings and loan association.

Mr. Fahrenkopf: At the present time, the banks of this state only insure up to \$20,000. Any public funds in excess of \$20,000 that are deposited in the banks of this state are uninsured.

Senator Swobe: Under this bill you could take any amount, is that correct?

No. It is my understanding that under the bill as it is drafted, if the bill were passed and Congress did not amend the federal statutes, we would only be allowed to take \$20,000.

Jordan Crouch, President of the Nevada Banker's Association, appeared before the committee.

Mr. Chairman, I am going to be brief, and limit myself to 5 points.

Banks and bankers are opposed to this bill, because in our opinion, it is not good legislation for several reasons. Now, we are going to limit this to federally insured savings and loan.

In the first place, in my opinion, savings and loan are not set up to handle state monies as a deposit. It is my belief and our belief that money placed in a savings and loan is an investment. Money placed in a bank is a deposit. And the difference, legally, is that. When the state puts money in a bank, the state is a creditor of the bank. When the state would put money in a savings and loan, they become an investor. The difference is great.

No one here is questioning the solvency of any institution represented in this room.

From time to time, counties and cities have to have emergency loans. Banks are in position to make emergency loans as such, and I question whether a savings and loan, under the set up now, can make such a loan.

Banks must collateralize all deposits of the state one hundred percent, and I believe that includes county and city. We believe there is some doubt about savings and loans ability to do this.

Savings and loan, by their very nature, are set up for specific reasons. They are principally makers of long term loans. That is compared to banks who principally make short term loans and they must have a greater liquidity.

The state funds sometimes fluctuate as much as ten to twelve million dollars in one day. That is demand money.

Banks paid to the state of Nevada, in taxes last year, One Million, One Hundred and Five Thousand Dollars. That is on the bank corporate taxes. So far as I am able to find out the savings and loan pay local taxes and none to the state.

F. R. Breen, representing the Nevada State Banker's Association appeared before the committee.

Mr. Breen brought out two legal points. This bill will create nothing but absolute confusion. The section dealing with the deposit of public funds has been amended. The savings and loan section was not amended.

One of the most direct conflicts is contained in section 24, where it provides that a deposit shall be withdrawn upon demand. Section 673 of the savings and loan act sets out the procedure for withdrawal, but there has been no reconciliation between those two sections.

Also, this will be a violation of Article 8, Section 9 of our state constitution, which says: "The state shall not donate or loan money for its credit, subscribe to or be interested in the stock of any company, association or corporation except corporations formed for education or charitable purposes."

The definition of savings and loan makes it an investment. Under our constitution, it would be unconstitutional for the State of Nevada to become a member of a savings and loan association. This was cited in Attorney General's Opinion 197.

Mr. Fahrenkopf stated that he believes savings and loans are set up to take deposits.

A. B. 946 - Requires continuing education programs for certain accountants.

Keith Ashworth, Assemblyman, James Murphy, Leroy Bergstrom and Vernon C. Heppner, CPAs, appeared before the committee to speak in support of the legislation. A letter setting forth clarification of the grievance committee is attached hereto as Exhibit C.

Senator Hecht said he does not feel it is within the purview of the Legislature to set up something like this.

Motion, Senator Swobe, Do Pass, seconded Senator Pozzi, carried.

A. B. 768 - Requires funeral directors to furnish information to customers.

James Ullom, Assemblyman, appeared before the committee and spoke in support of this legislation.

Motion, Senator Swobe, Do Pass, seconded Senator Pozzi, carried unanimously.

✓ S. B. 512 - Increases weekly unemployment compensation benefit and contributions.

Lou Paley, Nevada AFL-CIO appeared before the committee and spoke in support of this legislation.

Ernest Newton, Nevada Tax Payers Association, spoke in opposition to the legislation.

Senator Lamb spoke of his concern for the good workingman who is laid off through no fault of his own, and with the high cost of living, he couldn't possibly exist on the benefits now available.

Bill Gibbens, of the Gibbens company spoke in opposition to the measure. He stated that with the fund insolvent as it is now, it is no time to present a bill such as this.

Robert Long, Director of unemployment insurance, spoke in favor of the bill.

Senator Pozzi felt that if the fund is already insolvent, the merchant will never get any experience rating again.

Senator Swobe endorsed the remarks made by Senator Pozzi.

Mr. Paley stated that there are too many employers discharging men for misconduct and therefore taking the benefits from the trust fund rather than the experience rating. This, he says, is what is wrong with the fund.

Motion, Senator Swobe, Do Kill, seconded by Senator Pozzi, Senators Swobe, Hecht, Pozzi and Lamb voting Aye, Senators Herr, Blakemore and Drakulich voting Nay. Motion carried.

A. B. 865 - Motion Senator Pozzi, Do Pass, seconded Senator Blakemore.

Senators Lamb and Hecht abstaining. No action was taken.

A. B. 745 - Provides real estate as security on loans and raises loan ceiling under Nevada Installment Loan and Finance Act.

Frank Fahrenkopf appeared before the committee and spoke in support of this legislation. He presented certain proposed amendments, which amendments are attached hereto as Exhibit D.

Motion, Senator Swobe, Do Pass as amended, seconded by Senator Pozzi, carried.

A. B. 906 - Regulates mortgage companies.

Wendell Tarkington, Commissioner of Savings and Loan Associations appeared and spoke in support of this bill. He stated that he would need a staff to administer the bill, however.

The following amendments were proposed:

Page 7, Section 19, delete line 48 and insert "industrial loan companies, insurance companies and real estate investment trusts."

Motion, Senator Pozzi, Do Pass as Amended, seconded by Senator Swobe, carried.

The meeting was adjourned at 6:45 p.m.

Respectfully submitted,

  
Mae Lothouse Secretary

APPROVED:

Stanley J. Drakulich, Chairman

Exhibit A

| Name                        | Who Representing  |
|-----------------------------|---|
| James C. Nezymer            | Nev. State Board of Accounts                                      |
| James L. Murphy             | Pres. - Nev. Soc. of CPAs   |
| Jordan J. Crowell           | Pres - Nev. Bankers Assn  |
| <del>W.H. Jarrington</del>  | Commissioner Savings & L  |
| JAMES B. KELLY              | VICE PRES. NEVADA SAVINGS   |
| GEORGE R. ANGELL            | N.F.C.  |
| <del>Frank Jarrington</del> | Home Savings Assoc <sup>Con</sup> & <sup>Fin</sup> <sup>Inv</sup> |
| Chas. W. Young              | " "   |
| R. G. TAYLOR                | FIRST "WESTERN" LAS   |
| Robert Banks                | Home Savings Reno   |
| John H. Kerr, Jr.           | Americans & S. Am., Re  |
| R. H. HONG                  | ESD   |
| J. Hamm                     | ESD   |
| Dan Culbert                 | Self  |
| Bill Gibbens                | The Gibbons Co, Inc.  |
| Del Landing                 | Vice-Pres. Security NAT'L B                                       |
| <del>W.H. Jarrington</del>  | Pres. Pioneer Citizens Bank of N                                  |
| <del>W.H. Jarrington</del>  | Senior Vice Pres Security Nat'l Bank of                           |
| Walter Warren               | N. B. A.  |
| William H. Frost            | President - Nevada National B.                                    |
| F. R. Breen                 | Nev. State Bankers Assoc  |
| Preston E. Tidwell          | Supt. of Banks  |

**Same; State banks**

(e) Whenever any insured State bank (except a District bank) shall have been closed by action of its board of directors or by the authority having supervision of such bank, as the case may be, on account of inability to meet the demands of its depositors, the Corporation shall accept appointment as receiver thereof, if such appointment is tendered by the authority having supervision of such bank and is authorized or permitted by State law. With respect to any such insured State bank, the Corporation as such receiver shall possess all the rights, powers and privileges granted by State law to a receiver of a State bank.

**Payment of insured deposits**

Banking } (f) Whenever an insured bank shall have been closed on account of inability to meet the demands of its depositors, payment of the insured deposits in such bank shall be made by the Corporation as soon as possible, subject to the provisions of subsection (g) of this section either (1) by cash or (2) by making available to each depositor a transferred deposit in a new bank in the same community or in another insured bank in an amount equal to the insured deposit of such depositor: *Provided*, That the Corporation, in its discretion, may require proof of claims to be filed before paying the insured deposits, and that in any case where the Corporation is not satisfied as to the validity of a claim for an insured deposit, it may require the final determination of a court of competent jurisdiction before paying such claim.

**Subrogation**

(g) In the case of a closed national bank or District bank, the Corporation, upon the payment to any depositor as provided in subsection (f) of this section, shall be subrogated to all rights of the depositor against the closed bank to the extent of such payment. In the case of any other closed insured bank, the Corporation shall not make any payment to any depositor until the right of the Corporation to be subrogated to the rights of such depositor on the same basis as provided in the case of a closed national bank under this chapter shall have been recognized either by express provision of State law, by allowance of claims by the authority having supervision of such bank, by assignment of claims by depositors, or by any other effective method. In the case of any closed insured bank, such subrogation shall include the right on the part of the Corporation to receive the same dividends from the proceeds of the assets of such closed bank and recoveries on account of stockholders' liability as would have been payable to the depositor on a claim for the insured deposit, but such depositor shall retain his claim for any uninsured portion of his deposit: *Provided*, That, with respect to any



Ch. 13 SAVINGS AND LOAN ACCOUNTS 12 § 1728

Legislative History. For legislative history and purpose of Act June 27, 1950, Pub.L. 89-117, 1965 U.S.Code Cong. and Adm. News, p. 2610; Pub.L. 90-505, 1968 U.S. Code Cong. and Adm. News, p. 2583. See also, Pub.L. 87-210, 1961 U.S.Code Cong. and Adm. News, p. 3587.

Library References

Building and Loan Associations ↪24. C.J.S. Building and Loan Associations § 49 et seq.

§ 1728. Payment of insurance; statute of limitations with respect to claims

(a) Each institution whose application for insurance under this subchapter is approved by the Corporation shall be entitled to insurance up to the full withdrawal or repurchasable value of the accounts of each of its members and investors (including individuals, partnerships, associations, and corporations) holding withdrawable or repurchasable shares, investment certificates, or deposits, in such institution; except that no member or investor of any such institution shall be insured for an aggregate amount in excess of \$15,000. For the purpose of clarifying and defining the insurance coverage under this subsection and subsection (b) of section 1724 of this title, the Corporation is authorized to define, with such classifications and exceptions as it may prescribe, terms used in those subsections and in subsection (c) of section 1724 of this title and the extent of the insurance coverage resulting therefrom.

(b) In the event of a default by any insured institution, payment of each insured account in such insured institution which is surrendered and transferred to the Corporation shall be made by the Corporation as soon as possible either (1) by cash or (2) by making available to each insured member a transferred account in a new insured institution in the same community or in another insured institution in an amount equal to the insured account of such insured member: *Provided*, That the Corporation, in its discretion, may require proof of claims to be filed before paying the insured accounts, and that in any case where the Corporation is not satisfied as to the validity of a claim for an insured account, it may require the final determination of a court of competent jurisdiction before paying claim.

Savings and Loan

(c) No action against the Corporation to enforce a claim for payment of insurance upon an insured account of an insured institution in default shall be brought after the expiration of three years from the date of default unless, within such three-year period, the conservator, receiver, or other legal custodian of the insured institution shall have recognized such insured account as a valid claim against the insured institution and the claim for payment of insurance shall have been presented to the Corporation and its validity denied, in



## NEVADA STATE BOARD OF ACCOUNTANCY

ARLINGTON-RIDGE BLDG. • 290 SO. ARLINGTON AVE. • PHONE 786-0231  
RENO, NEVADA 89501

### MEMBERS

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ALBERT G. DATTGE, PA  
MARIO J. ISOLA, PA

April 14, 1973

The Honorable Stan Drakulich  
Chairman  
Committee on Commerce and Labor  
Nevada Senate  
Carson City, Nevada 89701

Dear Senator Drakulich:

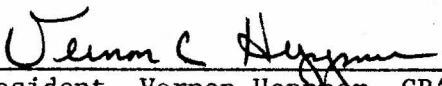
We understand that Senator Herr has expressed concern that, if your Committee approves AB946, this Board may create a grievance committee consisting of only two persons.

As the representative of the Nevada Society of Certified Public Accountants has stated to your Committee, the reason for the language proposed in the bill is to assure all licensees that there will be at least one PA and one CPA on the committee at all times, thus assuring representation for both parts of our profession.

This Board would in no event create a grievance committee of only two persons. However, in recognition of Senator Herr's concern, we hereby affirm to your committee that, should AB946 be approved by this Legislature, our Board will immediately proceed to adopt a regulation, pursuant to the authority conferred upon us by law, requiring that the standing grievance committee of the Board will consist of no fewer than five licensees. We further agree, should you consider it appropriate, to recommend to the next legislative session an addition to our act establishing such regulation as a matter of law.

Please be assured of our support for AB946. We believe each of its provisions to be in the public interest and solicit your favorable action upon it.

Very truly yours,

  
\_\_\_\_\_  
President, Vernon Heppner, CPA

<sup>745</sup>  
AMENDMENT TO AB 475

Page 2, Section 4, line 49:

Insert the words "under (c) above" between  
the words "interest" and "shall".

Page 7, Section 9, lines 14-17:

"Take a lien upon real property as security for  
any loan made under this chapter, [providing interest  
at a rate in excess of 12% per annum,] except such  
lien as is created by law through the rendition or  
recording of a judgment."