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CHAIRMAN RANDOLPH J. TOWNSEND
and
DISTINGUISHED COMMITTEE MEMBERS

SECURITY STATE SAVINGS BANK



FDIC insured

SENATE COMMITTEE ON COMMERCE AND LABOR

TESTIMONY: AB 389 -- Control of Thrift Companies

MONDAY MAY 5, 2003 – 7:00 AM – ROOM 2135

Security State Savings Bank ("Security State") is a Nevada chartered, FDIC insured Thrift Company. I am its founding President and Chief Executive Officer. I also serve on the Board of Directors of the Independent Community Bankers of America ("ICBA") and on the Board of its Western Regional affiliate, the California Independent Bankers ("CIB"). Security State and I, personally, **strongly oppose AB 389 and urge you to vote NO on the proposal and Assembly amendments.**

The proposed bill as amended would change Nevada law that has worked well for Nevada for almost thirty (30) years. It would deprive any person as defined under Nevada law, except a natural person, from acquiring control of a Nevada thrift company, either directly or indirectly, unless that person's business is limited to that of a financial holding company as determined by federal law. Today there is no restriction.

We **oppose** the bill for good reasons, as follows:

- It would change a Nevada law that has worked well for Nevada without any evidence supporting a "loophole" or wrongdoing to the state or national financial systems.
- It would give over to the federal government, either Congress or the Federal Reserve Board, the power to dictate who should own and control a Nevada state chartered thrift company.
- It would destroy job growth, including existing jobs in this state. For example, one thrift company accounts for several hundred jobs directly related to this charter.
- It would deprive needed resources to provide compliance with community reinvestment requirements, thereby reducing and in some cases eliminating opportunities to contribute to rebuilding communities, low cost housing and needed volunteer services.
- It would drive businesses and investors to other states, mostly to neighboring Utah, which permits ownership and control of similar institutions without limitation proposed in AB 389.
- It would violate the historic and well known Nevada commitment to attract business investment to Nevada.
- It would diminish the flexibility and shareholder value of my thrift charter and that of other thrift companies, both now and in the future.

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EXHIBIT N Senate Committee on Commerce/Labor

Date: 5/5/03 Page 1 of 4

California enacted a law last year almost identical to AB 389. It has already had a negative effect on new business investment in that industry in California. In addition, it is my understanding that is the reason Toyota came to Nevada. Toyota would be grandfathered under AB 389 because it had an application pending before December 31, 2002. In the future, if AB 389 becomes law, other "Toyotas" could not come to Nevada. They would look to Utah. Is that what we in Nevada want to do? Chase business, economic benefits and Nevada jobs next door.

Security State is an exemplary corporate citizen. It has contributed to numerous community redevelopment needs. **In fact, Security State holds an of "OUTSTANDING" CRA rating.** Less than 7% of FDIC insured institutions are rated "OUTSTANDING". Security State offers depositors interest on their FDIC insured deposits considerably greater than its neighbors, whether they are local community, regional or national banks. **See Exhibit A.** It is a highly rated institution by both the state and federal regulators. It provides jobs for its staff and supports other locally owned businesses.

Security State is owned by a holding company engaged in developing and marketing a variety of credit and payment related services to banking and non-banking internet companies. Eagle Mark is another Nevada thrift company owned by Harley Davidson. Has the ownership of a thrift company by either of these companies caused any alarm with the regulators or otherwise? **The answer is NO.**

Nevada thrift companies are highly regulated by the Nevada Division of Financial Institutions and by the FDIC. They are governed by the same capital and other requirements of the FDIC as are applicable to commercial banks. In fact, both Nevada state law and federal law provide that affiliate companies of Nevada thrift companies are subject to regular investigations, examinations and reporting to these government agencies. This includes their parent companies.

Mr. Donald Powell, Chairman of the FDIC, testified on March 4, 2003 before the House Financial Services Committee in Congress on a hearing on deposit insurance reform, with respect to interest on business checking (NOW) accounts. He was asked the following question by Congressman Royce from California regarding interest on business checking (NOW) accounts, as follows:

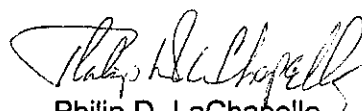
"...the legislation [interest on business checking accounts] would discriminate against industrial loan companies in my state – businesses that make a valuable contribution to keeping the financial services marketplace dynamic and keeping it competitive.. would the FDIC be supportive of efforts of financial institutions to pay interest on NOW accounts held by business ...are there any safety and soundness issues here?"

Mr. Powell's response was:

"The FDIC would not object to paying interest by these financial institutions [industrial loan companies, industrial banks, and thrift companies] on NOW accounts held by businesses. We do not really perceive those any different from any other business accounts, **and we do not see it as a safety and soundness issue.**" [Emphasis added]

Thank you for your interest in this matter. Again, we urge your **NO** vote on AB 389.

Respectfully Submitted,



Philip D. LaChapelle
President & CEO

Attachments

EXHIBIT A

NEVADA RATE SURVEY AS OF MAY 1, 2003

Certificate of Deposits

Term	Security State Savings Bk	Citibank of NV	First Republic Bk	Nevada State Bk	Valley Bk	Washington Mutual	World Savings	Weststar Credit Union
3 Month	1.51%	1.00%	1.35%	0.90-0.95%	1.15%	0.95%	-	1.61%
6 Month	1.76%	1.00%	1.40%	0.90-0.95%	1.25%	1.00%	-	1.83%
1 Year	2.21%	1.09%	1.45%	1.01%	1.75%	1.06%	-	2.26%
18 Month	2.41%	-	1.70%	1.35%	2.00%	1.40%	-	-
2 Year	2.66%	1.49%	2.00%	1.50%	2.25%	1.55%	1.93%	2.61%
2 1/2 Year	2.94%	-	-	-	2.25%	1.55%	-	-
3 Year	3.22%	1.98%	2.35%	2.00-2.05%	2.25%	2.50%	-	3.07%
4 Year	3.61%	2.42%	2.85%	-	2.25%	2.50%	-	3.57%
5 Year	4.01%	2.76%	4.00%	2.75-2.80%	2.25%	3.15%	3.16%	4.00%

Money Market Accounts

	Security State Savings Bk	Citibank of NV	First Republic Bk	Nevada State Bk	Valley Bk	Washington Mutual	World Savings	Weststar Credit Union
Balance								
\$1,000-\$4,999.99	2.46%	0.75%	0.25%	0.60%	0.70-1.10%	0.25%	0.21-0.86%	-
\$5,000-\$19,999.99	2.46%	0.75%	0.35%	0.65%	1.10-1.50%	1.15-1.50%	0.86-1.98%	1.26-1.31%
\$20,000-\$49,999.99	2.71%	0.75-1.10%	0.35-1.05%	0.75%	1.10-1.50%	1.50-2.07%	1.98-2.03%	1.31-1.51%
\$50,000 and over	2.71%	1.25%	1.10-1.15%	0.75-0.90%	1.50-1.75%	2.07%	2.08%	1.56-1.61%

Prepared by Security State Savings Bank

W

Thursday 5/1/03
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Balance	WORLD SAVINGS	Bank of America	Citibank	Nevada State Bank
\$50,000	2.08%	0.75%	1.00%	1.19%
25,000	2.03	0.70	1.00	1.19
10,000	1.98	0.65	1.00	0.69

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