

MINUTES OF THE SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE

The meeting was called to order by Chairperson Jeff Longbine at 9:30 am on Tuesday, January 20, 2015, 546-S of the Capitol.

All members were present

Committee staff present:

Ellen Martinez, Kansas Legislative Committee Assistant
Melissa Calderwood-Renick, Legislative Research Department
Whitney Howard, Legislative Research Department
Eileen Ma, Office of Revisor of Statutes

Conferees appearing before the Committee:

Deryl Schuster, Bank Commissioner, Kansas
Judy Stork, Deputy Commissioner, Office of the State Bank Commissioner
Jennifer Cook, Deputy Commissioner, Office of the State Bank Commissioner
Doug Wareham, Executive Vice President-Government Relations, Kansas Bankers Associations
Shawn Mitchell, President and Chief Executive Officer, Community Bankers Association of Kansas

Others in attendance:

[See Attached List](#)

Possible bill introductions

Judi Stork, Deputy Bank Commissioner, Division of Banking, Office of the State Bank Commissioner, made a bill request that would review 209 statutes for re-codification. Senator Bowers moved to accept the bill introduction and Senator Hawk seconded the motion. The motion passed.

Presentation on:

Senator Longbine introduced Commissioner Deryl Schuster to the Committee. He gave a brief overview of the agency structure: Division of Banking and Trust, Division of Consumer and Mortgage Lending, Legal, Administration and Information Technology. The OSBC is a fee funded agency, paid for by bank assessments and CML Licensing fees. Their FY 15 budget is \$10,922,600.

Judi Stork, Deputy Bank Commissioner, Division of Banking, Office of the State Bank Commission, gave an overview of her division. This division has supervisory duties that includes examining all banks and trust companies once every 18 month period. They supervise 225 state chartered banks, 41 active trust departments and 10 trust companies (as of 1-16-15) with total bank assets of \$36,051,000,000. The Division of Banking and Trust is divided into four regions across the state.

Deputy Stork explained the examination process for banks. They are rated on a scaled of 1 to 5 with a 1

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rating as the best and a 5 rating being the worst. The criteria are CAMELS: C- Capital, A-Assets, M-Management, E-Earnings, L-Liquidity, S-Sensitivity to Market Risk. Problem institutions are considered to be those rated 3, 4, or 5 and possess unsafe or unsound practices. Enforcement actions are board resolution, memorandum of understanding and cease and desist order (formal).

The Division of Banking also oversees the Money Transmitters. The money transmission business is the transferring of funds on behalf of the public within this country or to locations abroad. Regulated transactions include money orders, stored value cards, online payments, mobile transfers, and wire transfers. This has seen a significant increase in business. They are required to renew their licenses annually.

The Division of Banking is accredited by the Conference of State Bank Supervisors. They are subject to annual reviews and re-accreditation every 5 years. Full re-accreditation review will occur in 2015.

Jennifer Cook, Deputy Bank Commissioner, Division of Consumer and Mortgage Lending, Office of the State Bank Commission, gave an overview of her division. The two primary responsibilities of the division are to license non-depository entities that conduct mortgage business, provide consumer credit or provide debt management services and examine entities licensed by the division for compliance with state and federal laws. The primary state law that governs consumer loans and credit sales is the Uniform Consumer Credit Code (UCCC).

The agency can take a range of actions of enforcement actions for companies not in compliance including consumer restitution, fines, and license revocation. In 2014, the division began conducting Initial Reviews of companies within the first six months of licensure. These are limited scope reviews to determine the type and amount of activity conducted in the state and to identify any compliance issues early.

The OSBC is also involved in consumer education initiatives by providing grants to support consumer education programs statewide. Approximately \$4.7 mill in grants for consumer education has been provided since 1999. ([Attachment 1](#))

Doug Wareham

Senator Longbine called on Doug Wareham, Executive Vice President-Government Relations, Kansas Bankers Association to speak. Mr. Wareham informed the committee that the mission of the association was to support and assist Kansas banks and Kansas bankers. KBA's membership includes 99% (268 of the 270 banks chartered in Kansas) of the commercially chartered banks in Kansas. They also have 21 out-of-state members bringing their membership to 289 banks. Kansas banks employ more than 13,400 Kansas in nearly 400 towns and cities. While bank assets range from \$4 million to as high as \$4 billion, each member bank that belongs to the KBA has one vote on policy positions adopted by either the general membership or the Board of Directors.

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The banking industry is in a very strong and stable position in Kansas right now. Bank consolidation is continuing at a fairly rapid pace as banks seek to achieve the size and scale needed to compete in today's very competitive financial marketplace. The number of banks chartered in Kansas has declined by 22 in the past two years and when comparing 2014 to 2004, the loss of bank charters totals 85 over the past decade. One of the significant contributing factors driving consolidation is increased compliance costs caused by a myriad of new and ever-expanding regulations impacting the banking sector. ([Attachment 2](#))

Shawn Mithchell

Shawn Mitchell, President and Chief Executive Officer of the Community Bankers Association of Kansas spoke briefly to the committee. This association serves mainly rural banks throughout Kansas. CBA is a statewide organization of locally owned and operated banks intent on preserving local credit for local development. As a group, community banks are the primary lenders to agriculture, small business individuals and families.

Kansas community banks create growth in our towns and cities by funding small business and using local dollars to help families to purchase a home, finance college and build financial security. Retaining and refocusing local deposits allows community banks to focus attention on the needs of local families, businesses and farmers. Working with and serving in the communities has allowed community banks to remain relatively unaffected by the global financial turmoil. ([Attachment 3](#))

There being no further business, the meeting adjourned at 10:30 A.M.