

Approved February 2, 1983
Date

MINUTES OF THE Senate COMMITTEE ON Commercial & Financial Institutions

The meeting was called to order by Sen. Neil H. Arasmith at
Chairperson

9:00 a.m./~~p.m.~~ on February 1, 1983 in room 529-S of the Capitol.

All members were present except:

Sen. Reilly - Excused

Committee staff present:

Bill Wolff, Legislative Research
Bruce Kinzie, Revisor's Office

Conferees appearing before the committee:

Jim Turner, Kansas Savings and Loan League

The minutes of January 27 were approved.

The hearing on SB 55, relating to savings and loan conformity legislation, began with the testimony in support of the bill by Jim Turner, Kansas Savings and Loan League. (See Attachment I). Mr. Turner discussed the bill section by section according to his outline with a cross reference to the bill. He answered several questions by the committee as he progressed with his explanations. Sen. Pomeroy offered a specific change in SB 55 on line 240 to make the sentence begin with the word "such" and to strike the words "under this paragraph". Mr. Turner agreed that this change would be acceptable. The bill was still under discussion when time ran out. The chairman announced that the testimony on SB 55 would continue tomorrow after the hearing on SB 58 is concluded.

The next meeting will be held on February 2.

The meeting was adjourned.

SENATE COMMITTEE

ON

COMMERCIAL AND FINANCIAL INSTITUTIONS

OBSERVERS
(Please print)

DATE	NAME	ADDRESS	REPRESENTING
2-1-83	MARVIN UMHOLTZ	Topeka	KUMC
"	MARVIN STEINERT	✓	S. & L. Dept
"	Jim May	✓	KBA
	Tim Underwood	Topeka	KAR
	Tom Wilder	Topeka	KSLC
	Jim Turner	Topeka	KSLC



JAMES R. TURNER
PRESIDENT

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February 1, 1983

TO: SENATE COMMITTEE ON COMMERCIAL AND FINANCIAL
INSTITUTIONS

FROM: JIM TURNER, KANSAS SAVINGS AND LOAN LEAGUE

RE: S.B. 55 - CONFORMITY FOR STATE-CHARTERED ASSOCIATIONS

The Kansas Savings and Loan League appreciates the opportunity to appear before the Senate Commercial and Financial Institutions Committee in support of S.B. 55 which would grant equal authorities to state-chartered savings and loan associations as was granted to federally-chartered savings and loan associations by the Garn-St. Germain Depository Institutions Act of 1982. State-chartered associations are currently utilizing most of these authorities via a "special order" issued by the State Savings and Loan Commissioner on November 10, 1982.

In addition, we have included conformity provisions with Federal Home Loan Bank Board regulations that are also covered by Commissioner "Special Orders" as well as several technical changes.

For the committee's convenience we have attached an outline prepared by our research director, Tom Wilder, which references the provisions of S.B. 55 to the applicable portions of the Garn act.

Finally, we would appreciate the committee's earliest attention to reporting S.B. 55 favorably for passage.

James R. Turner
President

JRT:bw

REPRESENTING THE SAVINGS AND LOAN BUSINESS OF KANSAS
"MEETING HOUSING NEEDS AND HUMAN NEEDS"

Attachment I

RE: "CONFORMITY BILL"

The following is an analysis of 1983 S.B. 55 which enacts for state chartered savings associations certain powers and authority granted federal savings and loans by the Garn-St. Germain Depository Institutions Act of 1982 (Garn Act) and by numerous Federal Home Loan Bank (FHLB) regulations.

1. Section 1. Fees for Savings and Demand Accounts - Federal associations were permitted to charge fees on savings accounts by FHLB regulation in 1982. Proposed FHLB regulation (12 CFR 545.1) also allows fees on demand accounts.
2. Section 2.
 - a. Demand Accounts for Corporate Loan Customers - permitted by Section 312 of the Garn Act. Now found in the Home Owner's Loan Act (HOLA) Sec. 5(b)(1).
 - b. Demand Accounts for Effectuating Payments - permitted by Section 312 of the Garn Act. Now found in HOLA Sec. 5(b)(1).
 - c. Minimum Account Terms of 14 Days - permitted by Section 312 of the Garn Act. Now found in HOLA Sec. 5(b)(1).
 - d. Accounts Subject to Check - permitted by Section 312 of the Garn Act. Now found in HOLA Sec. 5(b)(1).
 - e. S&L May be Surety - was permitted for federals prior to Garn Act in Section 5(b)(1) of HOLA.
 - f. S&L May Issue Capital Stock - permitted by Section 312 of the Garn Act. Now found in HOLA Sec. 5(b)(1).
 - g. Public Fund NOW Accounts - permitted for federal and state chartered associations by Section 706 of the Garn Act which amended 12 U.S.C. 1832.
3. Section 3.
 - a. Savings and Transaction Accounts Loans - savings account loans were permitted under existing law. Transaction account loans were authorized by Section 321 of the Garn Act. Now found in HOLA Sec. 5(c)(1). <The terms "demand account" and "transaction account" are not defined in the federal act or in the state savings code.> Demand accounts are noninterest bearing checking accounts while transaction accounts refer to overdraft loans.
 - b. Loans to Officers, Directors or Employees - the word "such" was added to line 0144 to clarify the meaning of the existing provision.
 - c. Investments in FSLIC Insured Accounts - permitted by Section 323 of the Garn Act. Now found in HOLA Sec. 5(c)(1).

- d. Investment in State Obligations - the provision added investment in obligations issued by state or political subdivisions to existing authority in the statute. Permitted by Section 324 of the Garn Act. Now found in HOLA Sec. 5(c)(1). The section also limits investments in obligations of one issuer. The new section pertains mainly to various types of revenue bonds.
- e. Small Business Company Investments - permitted by Section 330 of the Garn Act. Now found in HOLA Sec. 5(c).
- f. Commercial Loans - increases lending authority from 20% to 40% of assets. We should request that the word "first" be deleted on line 0297 to bring the section into conformity with prior federal law. The provision comes from Section 325 of the Garn Act. Now found in HOLA Sec. 5(c)(1).
- g. Consumer Loans - The investment authority was increased from 20% to 340% of assets. We should request that the words "and investments" on line 0305 be removed and that "10%" on line 0306 be changed to 30%. The provisions come from Section 329 of the Garn Act. Now found in HOLA Sec. 5(c)(2).
- h. Investment in Tangible Personal Property - permitted by Section 330 of the Garn Act. Now found in HOLA Sec. 5(c).
- i. Commercial and Corporate Loans - permitted by Section 325 of the Garn Act. Now found in HOLA 5(c)(1). The inclusion of service corporation loans in the percentage of assets limits comes from proposed FHLB regulations (12 CFR 545.8). If it is not clear we should amend the section to specify that the limit on service corporation loans does not extend to loans secured by real estate.
- j. Educational Loans - permitted by Section 330 of the Garn Act. Now found in HOLA Sec. 5(c).
- k. Service Corporation Investment - The statute (K.S.A. 17-5501 (Z)(2)) reflects existing language in HOLA Sec. 5(c)(3). Our amendment comes from existing FHLB regulations (12 CFR 545.9-1).
- l. Futures and Options Transactions - permitted by FHLB regulations (12 CFR 545.29 and 545.29-1). Permitted for state associations by commissioner special order.
- m. Data Processing - permitted by FHLB regulations (12 CFR 545.16-1). Permitted for state associations by commissioner special order.
- n. Correspondent Services - permitted by FHLB regulations (12 CFR 545.9-2 and 545.30). Permitted for state associations by commissioner special order.

- o. Leasing Authority - Consumer leasing permitted by FHLB regulations (12 CFR 545.7-10a) and for state associations by commissioner special order. Other types of leasing authority contained in proposed FHLB regulations (12 CFR 545.10).
4. Section 4. Anti-Tying Provisions - comes from Section 331 of the Garn Act. Now found in Sec. 5 of HOLA.

17-5815. Same; priorities of shares and savings deposits upon liquidation. Shares of an association and savings deposits of a deposit association will, in the event of voluntary or involuntary liquidation, dissolution or winding up of an association or a deposit association, or in the event of any other situation in which the priority of such savings deposits or shares is in controversy, have, to the extent of their withdrawable value, the same priority as general creditors of the association not having priority over other general creditors of the association.

History: L. 1970, ch. 97, § 2; July 1.