

MINUTES OF THE SENATE COMMITTEE ON COMMERCIAL AND FINANCIAL INSTITUTIONSThe meeting was called to order by Sen. Neil H. Arasmith at  
Chairperson9:00 a.m. ~~pm~~ on January 24, 1984 in room 529-S of the Capitol.

All members were present except:

Senator Hess, excused

Committee staff present:

Bill Wolff, Legislative Research  
Bruce Kinzie, Revisor of Statutes

Conferees appearing before the committee:

Marvin Umholtz, Kansas Credit Union League  
Jim Maag, Kansas Bankers Association  
Margie Braden, Kansas Manufactured Housing Insitutite  
Stan Lind, Kansas Association of Finance Companies

The minutes of January 19 were approved.

The Chairman called on Marvin Umholtz, Kansas Credit Union League, to present his request for the introduction of a bill which would amend two sections of the Kansas Credit Union Act. (See Attachment I.)

Sen. Pomeroy made a motion that the bill be introduced and referred back to committee. Sen. McCray seconded the motion. The motion carried.

The hearing on SB 472 began with the testimony of Jim Maag, Kansas Bankers Association, in support of the bill but concerned about Section 4 relating to the securing of a consumer loan by real estate. (See Attachment II.) Mr. Maag also mentioned to the committee that his association is split on its opinion of the repealer dealing with balloon payments for consumer loans (16a-3-308). Sen. Feleciano asked Mr. Maag if he would support the new Section 18 in the bill, and Mr. Maag replied that he would but that he would defer to other conferees to elaborate on that subject. Sen. Feleciano inquired further if Mr. Maag would support the bill with the balloon repealer. Mr. Maag reiterated that his association is split on its opinon on this and that it is doubtful that their support rests totally on this issue.

Marvin Umholtz, Kansas Credit Union League, began his testimony in support of SB 472. (See Attachment III.) In regard to Mr. Umholtz's testimony concerning the 45 days requirement, the Chairman asked Mr. Umholtz if the 45 days notice provision was not of more assistance than the six months notice presently in the statute. Mr. Umholtz answered that the present statute is more difficult to deal with. In reference to Mr. Umholtz's testimony concerning returned check charges, the Chairman informed him that the bill does not state that an exact amount must be shown for returned check charges. Mr. Umholtz replied that he had hoped that this was the case and was concerned because it would be impossible to have an exact charge. Sen. Karr asked if Mr. Umholtz would remove his support if the balloon payment provision is removed, and he answered that he would not. Sen. McCray asked if the credit union members are aware of the possibilities of losing their home as indicated in new Section 2. Mr. Umholtz answered that most members are more concerned with getting good interest rates and would not concern themselves with this unless it were creating a problem for them.

Margie Braden, Kansas Manufactured Housing Institute, began her testimony in support of SB 472. (See Attachment IV.) She posed one question which was not in her written testimony regarding the clarity of line 99. Staff explained that more words are needed there to express the complete thought.

Stan Lind, Kansas Association of Finance Companies, began his testimony in support of SB 472. (See Attachment V.) Due to lack of time for Mr. Lind to complete his testimony, the Chairman announced that Mr. Lind would complete his testimony on January 25. Sen. Pomeroy questioned Mr. Lind as to his testimony in which he may

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON COMMERCIAL AND FINANCIAL INSTITUTIONS,  
room 529-S, Statehouse, at 9:00 a.m./~~p.m.~~ on January 24, 1984.

have suggested that there is no criminal recourse to collect charges for returned checks. Mr. Lind explained that it is possible to prosecute someone for charges on returned checks but that first you have to write a letter to that person saying that you will prosecute. Mr. Lind feels that this threat of going to jail just to collect a nominal charge should not be necessary.

The meeting was adjourned.

SENATE COMMITTEE

ON

COMMERCIAL AND FINANCIAL INSTITUTIONS

OBSERVERS  
(Please print)

DATE	NAME	ADDRESS	REPRESENTING
2/24/84	DVD CORANI	TOPEKA	KANC
"	Tom Fritylen	Lawrence	Sen. Press
"	John Spurgeon	Lawrence	Budget
"	Mervin Umboly	Topeka	KCUK
"	JEREL WRIGHT	"	KCUK
"	JOHN B. RUCKER	Topeka	KS & CU
"	Ron Smith	"	KIBA
"	Jim McBride	Topeka	united way
"	Stan Lind	KCK	KAFK
"	Don Phelps	Lawrence	Law Ce. Comm
"	Mel Patton	Topeka	" " "
"	Tom Reagan	Topeka	KAFK
"	Margie Braden	Topeka	KMHI
"	Quis & Lemon	Topeka	Commerce Bank + Trust
"	Jim Masz	"	KBA
"	Jim Olson	"	Merchants Nat
"	Tom Wilder	"	KLSI

BILL PROPOSAL REQUEST  
Presented to the  
SENATE COMMITTEE ON  
COMMERCIAL AND FINANCIAL INSTITUTIONS  
January 24, 1984  
by the  
KANSAS CREDIT UNION LEAGUE

Mr. Chairman, members of the Committee:

I am Marvin C. Umholtz, Vice President of Credit Union Development for the Kansas Credit Union League. I appreciate having the opportunity to appear before you to request the introduction of a Committee bill. This proposal amends two sections of the Kansas Credit Union Act (K.S.A. 17-2201, *et seq.*).

The proposed amendments to both sections are designed to place in the Kansas Credit Union Act certain authorities currently provided to Federal Credit Unions in the federal law. The amendments are:

1. Amend K.S.A. 1983 Supp. 17-2204: to allow a credit union to receive payments on shares, share certificates and other accounts from the National Credit Union Central Liquidity Facility (CLF) and to invest in the capital stock of the CLF. The CLF is operated by the National Credit Union Administration (NCUA) which regulates federally chartered credit unions and administers the federal share insurance program. The CLF serves as the liquidity lending tool of the NCUA and supports its other functions (examining and insuring credit unions). The CLF's objective is to facilitate a stable credit union system by providing a source of funds to assist a credit union in dealing with demands on its liquidity and for stabilization assistance in special circumstances.
2. Amend K.S.A. 1983 Supp. 17-2228: to streamline the credit union merger procedure by establishing a more reasonable membership vote participation requirement. This amendment will serve the additional purpose of removing interpretation questions inherent in the existing language.

Thank you, Mr. Chairman, for this opportunity to present this request. I urge you to act favorably on the introduction of this proposal and to request that the resultant legislation be referred to this Committee for consideration.

I will respond to questions at the direction of the Chairman.

Attachment I



**17-2204. Powers of credit unions.** A credit union shall have the following powers:

(1) It may receive the savings of its members in payment for shares, make contracts, sue and be sued, and provide negotiable checks, money orders, travelers checks, any other money type instruments or transfer methods, safe deposit boxes or similar safekeeping facilities to its members.

(2) It may make loans to members through the credit committee and on deposit in the way and manner hereinafter provided.

(3) It may invest, through its board of directors, in a central credit union, located in the state of Kansas and under the supervision of the administrator, in shares of any savings and loan association having its principal office located in the state of Kansas, in the bonds of the United States, or of any state or of any municipality, the bonds of which municipality are legal investments for savings banks in the state of Kansas. It may deposit its funds in savings banks, state banks, trust companies and national banks. Unless the administrator authorizes otherwise, the funds of the credit union shall be used first for loans to members and preference shall be given to the smaller loans in the event the available funds do not permit all loans which have been approved by a loan officer or have passed the credit committee to be made.

(4) Credit unions may enter into agreements with financial institutions or organizations for the extension of credit or debit services.

(5) It may do all things necessary to obtain, continue, pay for and terminate insurance of its shares and share certificates with the national credit union share insurance fund or its successor or successors or with an insurer approved by the state commissioner of insurance or guarantee corporation approved by the administrator under the provisions of this act for such purpose.

(6) It may receive from its members or

other insured credit unions payments on shares and share certificates.

(7) A central credit union, located in the state of Kansas and under the supervision of the administrator, in which all credit unions in the state of Kansas are eligible for membership and as defined by subsection (e) of K.S.A. 17-2231, may buy and sell investment securities, as defined by the administrator, but the total amount of such investment securities of any one obligor or maker held by such credit union shall at no time exceed 15% of the shares, undivided earnings and reserves of the credit union except that this limit shall not apply to obligations of the United States government or any agency thereof.

(8) Credit unions may enter into agreements with a central credit union, located in the state of Kansas and under the supervision of the administrator, in which all credit unions in the state of Kansas are eligible for membership and as defined by subsection (e) of K.S.A. 17-2231, to discount or sell to such central credit union interim student loans made pursuant to federally insured student loan programs under public law 89-329, title IV part (b) of the higher education act of 1965 as amended.

(9) A credit union may discount or sell to such central credit union or any financial institution or organization any real estate loan made by the credit union.

(10) Credit unions may enter into agreements with a central credit union, located in the state of Kansas and under the supervision of the administrator, in which all credit unions in the state of Kansas are eligible for membership and as defined by subsection (e) of K.S.A. 17-2231, to discount or sell to such central credit union any obligation of the United States government or any agency thereof, or of any state, municipality or any agency thereof, if the obligation at the time of purchase was a legal investment for credit unions.

(11) It may provide that shares and share certificates may be withdrawn for payment to the account holder or to third parties, in such manner and in accordance with such procedures as may be established by the board of directors.

(12) Every credit union incorporated pursuant to or operating under the provisions of this act may exercise such powers,

including incidental powers, as shall be necessary or requisite to enable it to carry on effectively the purposes and business for which it is incorporated.

**History:** L. 1929, ch. 141, § 4; L. 1951, ch. 204, § 1; L. 1955, ch. 138, § 1; L. 1968, ch. 160, § 3; L. 1969, ch. 112, § 56; L. 1971, ch. 75, § 1; L. 1972, ch. 58, § 1; L. 1974, ch. 98, § 1; L. 1975, ch. 136, § 3; L. 1977, ch. 75, § 1; L. 1981, ch. 101, § 2; L. 1982, ch. 103, § 2; July 1.

Add new subsection to K.S.A. 1983 Supp. 17-2204 which reads:

(13) A credit union may receive from the National Credit Union Central Liquidity Facility created by Title III of the Federal Credit Union Act (12 U.S.C. 1795, *et seq.*) payments on shares which may be issued at varying dividend rates, share certificates which may be issued at varying dividend rates and maturities, and any other accounts of the credit union. A credit union may invest its funds in the capital stock of the National Credit Union Central Liquidity Facility.

Clarifying and technical changes by the Revisor's Office are welcome.

3

**17-2228. Merger with other credit union, procedure; certificate requirements; assets and liabilities; cancellation of terminated credit union charter.** Any credit union may, with the approval of the administrator, merge with another credit union under the charter of such other credit union, pursuant to any plan agreed upon by the majority of the board of directors of each credit union joining in the merger, and approved by the members of each such credit union, either by the affirmative vote of a majority of those members present at a meeting of its members duly called for such purpose or by the affirmative vote in writing of a majority of its members without a meeting. ~~In either case, at least 10% of the total membership of each credit union shall be required to vote before such merger can be approved by the members.~~ After such agreement by the directors and approval of the members of each credit union the president or chairperson of the board and secretary of each credit union shall execute in triplicate, a certificate of merger, which shall set forth all of the following:

- (a) The time and place of the meeting of the board of directors at which the plan was agreed upon;
- (b) the vote in favor of adoption of the plan;
- (c) a copy of the resolution or other action by which the plan was agreed upon;
- (d) the time and place of the meeting of the members at which the plan agreed upon was approved;
- (e) the vote by which the plan was approved by the members; and
- (f) the date the merger was approved by the administrator.

Amend K.S.A. 1983 Supp. 17-2228 by adding as indicated:

who participate in the vote on the merger plan

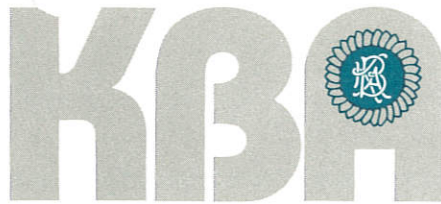
And by striking the existing language as indicated.

Such certificates, in triplicate, and a copy of the plan of merger agreed upon shall be forwarded to the administrator and a copy of the certificate, certified by the administrator, shall be returned to the merging credit unions within 30 days. Upon any such merger so effected, all property, property rights and interest of the merged credit union shall vest in the surviving credit union without deed, endorsement or other instrument of transfer, and all debts, obligations and liabilities of the merged credit union shall be deemed to have been assumed by the surviving credit union under whose charter the merger was effected.

This section shall be construed, whenever possible, to permit a credit union chartered under any other act to merge with one chartered under this act, or to permit one chartered under this act to merge with one chartered under any other act. The charter of the terminating credit union shall upon merger be cancelled and voided by operation of law.

**History:** L. 1963, ch. 140, § 10; L. 1968, ch. 160, § 14; L. 1982, ch. 102, § 8; July 1.

Clarifying and technical changes by the Revisor's Office are welcome.



The KANSAS BANKERS ASSOCIATION  
A Full Service Banking Association

January 24, 1984

TO: Senate Committee on Commercial and Financial Institutions

RE: SB 472--Amendments to the Uniform Consumer Credit Code

Mr. Chairman and members of the committee:

Thank you for the opportunity to appear before the committee as it considers amendments to the Kansas Uniform Consumer Credit Code as contained in SB 472. Let me say initially that the work done by the Special Committee on Commercial and Financial Institutions during the summer months was exemplary and the members of this committee who served on the Special Committee are to be congratulated for their diligence and patience while considering possible changes in this complex code. We believe the committee made significant strides towards the goals set out for them by the 1983 Legislature by conducting this comprehensive review of the Code. Hopefully this will eliminate the necessity for annual revisions of the Code by the legislature.

The State Affairs Committee of the Kansas Bankers Association and the KBA Governing Council have endorsed the provisions of SB 472. We believe the numerous technical changes which are recommended as well as the adjustments in the minimum finance charges, delinquency charges and prepayment charges are much needed in light of the dramatic rate of inflation which has occurred since those changes were first set in 1973. While the adjustments still do not cover the actual costs involved in processing consumer loans, we fully realize what is possible and we endorse the recommended changes.

The changes recommended in section 10 (K.S.A. 16a-3-204) which amends the current requirement of three notices within a 60 day period relating to any changes in the terms of a contract on open-end credit to one 45-day notice is definitely a step in the right direction and should alleviate a great deal of confusion for consumers. There has been some discussion by members of our association that the 45-day requirement be reduced to 30 days, since that is a figure which has been used over the past three years relating to a notice change in finance charges. It should be noted also that the federal requirements are for only one 15-day notice.

The one major concern which we have with SB 472 is in Section 4 relating to the securing of a consumer loan by real estate. There is little doubt that one of the major developments in consumer credit in the coming years is going to be the revolving line of credit--much like a revolving charge account--that is secured by the customer's equity in real estate. While the Special Committee spent many hours



trying to devise amendments which would facilitate such loan programs we believe that the amendments presently contained in Section 4 only confuse and restrict the development of such programs rather than solving any problems. In Subsection 2 of Section 4, it states that "a lender may contract for an interest in land as security in which the finance charge exceeds 15% and the consumer is granted a line of credit which exceeds \$3,000." It appears that this wording would prohibit financial institutions from offering such a line of credit if the finance charge were less than 15% and the line of credit exceeded \$3,000. Since such programs are currently available at rates less than 15% we truly believe it is in the best interest of the consumer to eliminate the reference to the 15% since it serves no meaningful purpose as either a floor or a ceiling in such a program.

We would also recommend that the committee look closely at the other sections of the bill where 12% has been stricken and replaced with 15%. It was our understanding that this was done to bring that percentage rate into conformity with the general usury rate. However, those who know the history of the Kansas UCCC indicate that there was never any correlation between the original 12% in the Code and the general usury rate. It raises the question as to whether there is any need today for any reference to either 12% or 15% in the Code.

In conclusion, while we realize that SB 472 must be considered, at least in part, with conjunction with the provisions of HB 2639 we do believe that the bill does contain significant improvements in the Code and we hope that the committee will give it favorable consideration with the suggested amendments.

Once again, Mr. Chairman, thank you for the opportunity to discuss this important piece of consumer legislation with the committee.

James S. Maag  
Director of Research



Testimony of the  
KANSAS CREDIT UNION LEAGUE  
on  
SENATE BILL NO. 472  
AN ACT amending the uniform consumer credit code;

Presented to the  
SENATE COMMITTEE ON COMMERCIAL & FINANCIAL INSTITUTIONS  
January 24 and 25, 1984

Mr. Chairman, Members of the Committee:

I am Marvin Umholtz, Vice President of Credit Union Development for the Kansas Credit Union League (KCUL). Our association represents over 94% of the credit unions in Kansas, both state and federally chartered. Credit unions are member-owned cooperation financial institutions. Kansas credit unions serve over 400,000 members.

KCUL SUPPORTS S.B. 472

I appreciate having the opportunity to appear before the Committee to express our support for the passage of S.B. 472. KCUL appeared before the Special Committee on Commercial and Financial Institutions during the Interim Study on the Uniform Consumer Credit Code (UCCC) this summer and fall. It was our observation that a thorough review of the current UCCC was made by the members of the Special Committee and that S.B. 472 represents many positive changes designed to bring the 1973 Code into the 1980's.

The Interim Committee clearly recognized that matching the Kansas UCCC provisions with recent changes in Truth-in-Lending (T-I-L) and other federal laws and regulations would benefit Kansans by making the Code more usable and understandable. The Interim Committee also recognized and responded to the need for credit unions and other creditors to have the ability to recover the direct costs of lending. Other changes are reflected in S.B. 472 which are designed to clarify existing concepts embodied in the UCCC and to provide clear direction

Attachment III

in emerging areas of financial institution consumer lending.

The results of these changes will be an improved consumer lending climate in Kansas and the accompanying benefits to the economies of Kansas communities.

SUGGESTED CHANGES TO S.B. 472

KCUL would like to suggest three needed improvements to S.B. 472. The three areas for improvement which KCUL would like to bring to the attention of this Committee are:

1. Security Interest in Land (S.B.472, Section 4 on page 12, starting on line 0419; amending K.S.A. 16a-2-307)

The addition of the language in new subsection (2) of S.B. 472 may inadvertently provide a dis-service to the consumer. The specific requirement that a loan rate exceed 15% (Line 0427) before a consumer can obtain a line of credit secured by an interest in land and retain the ability to make an initial draw of credit less than \$1500 may be interpreted to mean that a lender could not offer this type of increasingly popular lending vehicle at an interest rate less than 15%.

We encourage the Committee to remove this reference to 15%.

2. Returned Check Charge. (S.B. 472, Section 7, new subsection (3) on page 16, starting on line 0568; amending K.S.A. 16a-2-501)

The new language on line 0573 refers to "such charge" when outlining the requirements for providing notice to consumers of the actual charges which they may be assessed if their loan payment check is returned to the lender unsatisfied. Our concern is that "such charge" requires the use of a single dollar amount charge in the notice or contract.

Many credit unions use uniform loan agreement forms but also use a wide variety of financial institutions for handling their credit union account. The returned check charges of these institutions will undoubtedly vary from community to community. Additionally, a credit union may use more than one financial institution for depositing the loan payment and other checks which they receive. These institutions may have different charges.

KCUL would encourage the Committee to clarify the meaning of "such charge" so that a posted sign or contract could indicate that when this situation occurs a financial institution may impose on the checkwriter a charge equal to the charge imposed on the institution, with no specific dollar amount stated.

3. Change in Terms. (S.B. 472, Section 10, subsection (2) on page 19, starting on line 0707, amending K.S.A. 1983 Supp. 16a-3-204)

KCUL urges the Committee to change the "45 days" requirement on line 0711 to read the same as the federal Truth-in-Lending (T-I-L) requirement of

15 days (12 CFR 226.9(c)). We believe that this would be consistent with other efforts in S.B. 472 to conform with T-I-L. As an alternative, the Committee may wish to consider returning this figure to "30 days." This has the advantage of reflecting the existing law's provision (K.S.A. 1983 Supp. 16a-3-204(5)) and would not require adjustment of current lending practices.

#### SUMMARY

In summary, KCUL supports the passage of S.B. 472 and urges the Committee's consideration of the three areas of improvement identified in our testimony. Additionally, we recognize that Committee members and other conferees may suggest changes to S.B. 472 which KCUL could support.

Thank you, Mr. Chairman, for this opportunity to make our presentation to the Committee. I will respond to questions at your direction.

Testimony Before Senate Commercial and Financial Institutions Committee  
January 24, 1984

Margie Braden, Executive Director, Kansas Manufactured Housing Institute

Mr. Chairman and members of the Committee. Thank you for giving me a few moments to appear before you to discuss Senate Bill 472. In general, the Kansas Manufactured Housing Institute has no problem with any of the changes being recommended in this bill which are supported by the banking industry and other financial institutions. As an industry whose ability to continue to do business depends to a large extent on the ability of our customers to find adequate financing for the purchase of a home, we believe it would be unrealistic to oppose issues which the financial industry sees as necessary to providing such financing.

There are, of course, instances in which a manufactured home is financed with land through a real estate mortgage, but there are still many cases in which low and middle income families find that the only affordable home for them is a manufactured home which must be placed on a rental lot in a park. Certainly, since these are low and middle income families, we would hope that as many stumbling blocks as possible could be removed from their dream of homeownership.

We do have one request with regard to S.B. 472 which we hope the committee will accept. On page 3, line 0099 and on page 4, line 0138, the words "mobile home" are being added. We understand the reason for this and have no quarrel with it, but would suggest that such terminology is

Attachment IV



fast-becoming obsolete in the industry and we ask that you consider using the more acceptable term "manufactured home" and that such term be defined in the statute. I have included, on the attached sheet, the definition which I feel would identify the home you want to include and is the one most widely in use in the industry.

While I am aware that the term "mobile home" currently appears elsewhere in the Kansas statutes, legislation will be introduced shortly to change that to "manufactured home". The term manufactured home has already been used in a number of recently enacted statutes and it seems logical to begin here with the current terminology rather than come back at a later date to "clean it up".

We do request that you amend the bill to correct this terminology in the locations which we have identified.

"Manufactured Home" - a structure, transportable in one or more sections which in the traveling mode, is eight body feet or more in width or forty body feet or more in length, or when erected on site, is three hundred twenty or more square feet and which is built on a permanent chassis, and designed to be used as a dwelling with or without permanent foundation, when connected to the required utilities, and includes the plumbing, heating, air-conditioning, and electrical systems contained therein.

Statement on S.B. 472

by

Stanley L. Lind,

Counsel & Secretary

of the

Kansas Assn. of Finance Cos.

before the

Senate Commercial & Financial Institutions Committee

January 24, 1984

Attachment IV

Mr. Chairman and Members of the Committee:

I am Stanley L. Lind, Counsel & Secretary of the Kansas Assn. of Finance Cos., the state trade association for consumer finance companies in Kansas. I appear here upon behalf of our members to endorse S.B. 472 and to urge its enactment.

The last few years have not been considered very good years for finance companies in Kansas. 1981 resulted in a combined loss of one million dollars for all finance company licensees and the closing of 104 offices. 1982 resulted in a combined loss of approximately one-half million dollars for all finance company licensees. While the report for 1983 is not yet in, my prediction is that we will see the first black ink in three years time, upwards to around one-half million dollars.

While our association endorses the enactment of S.B. 472, I will direct my remarks to those provisions which are of more immediate concern to us.

On page 16, subsection (3), contains an amendment which would permit creditors to be reimbursed for charges that are imposed upon them by their banks for insufficient fund checks which have been given to them by their customers. While this proposal provides for reimbursement of actual charges, we would like this to be amended on line 0570 by adding after the word "exceed" the words

"the sum of \$5.00 or"

for the reason that multiple office companies can not program more than one charge for such an item -and- they would rather charge less than actual costs - than not be reimbursed at all.



On page 26, subsections 7(a) and (b), provides for the privilege for all supervised lenders to be able to compete on the same level playing field.

Today - banks, S & L's and credit unions all have specific statutes permitting them to have parity with other lenders in the event that one is permitted to charge a certain rate not otherwise permitted by Kansas statute.

For example in 1981-82 the federal credit unions were permitted to charge 21% on their loans, when the alternative rate in Kansas was 18%. Because of a parity statute for state credit unions, they were also permitted to charge the 21% rate. Because of the nature of other federal statutes, national banks could then have made the same charge -and- then state banks could have followed in tandem.

What this proposal would do - is permit any supervised lender in Kansas, to charge any rate that is permitted another lender in Kansas. Specifically, if a credit union could charge 21%, then upon the Consumer Credit Commissioner issuing a special order, consumer finance companies could also charge 21%.

The last section I would like to discuss is New Section 18 on page 28. This is a provision pertaining to second mortgage loans, which have become increasingly important to consumer finance companies as a source of business. The table below illustrates this fact.

<u>Year</u>	<u>Dollar Amount Loans Made</u>	<u>Percentage That Are \$5000 or More</u>
1978	253 Million	39.06%
1979	280 "	39.68%
1980	225 "	47.41%
1981	217 "	50.48%
1982	194 "	49.27%

Another new feature about the second mortgage field is that these mortgages are now being purchased in the secondary market. In order to be eligible for sale to the secondary market - the lender has to:

- a - pay a one percent origination fee
- b - furnish a mortgage insurance policy against the debtor's default
- c - furnish a title policy.

The new provisions of this proposal are that it would authorize charging a 3% origination fee and for a debtor's default policy.

On an overall basis - the borrower is helped because he is able to get a loan at a rate lower than he otherwise would because of the secondary market and the insurance policy against loss by default. Because of this, these are costs which should be borne by the borrower.

The difference between the 1% charge by the secondary market and the 3% provided by this proposal -is- the profit which the lender would receive for making the loan. On \$10,000, this would be \$200.

Other justifications for the use of an origination fee for real estate transactions are:

- a - they have been traditionally used and charged to compensate the lender for the multitudinous paper work connected with real estate transactions.
- b - they are needed to help compensate the lenders for its acquisition costs when there is an early pay-off by the borrower.
- c - an origination fee permits the lender to take into income a fee upon the conclusion of the transaction to coincide with the period of time to the lender when it suffers its greatest expense in connection with any one real estate loan.

To illustrate the market conditions on origination fees in the Kansas City area, I have attached a photocopy to show these. These are fees on first mortgages -and- they run from 1% to 5% - all on amounts greatly exceeding the average second mortgage loan.

I appreciate the opportunity to review these proposals with you - and - would be glad to answer any questions.

# MARKETPLACE

## INTEREST RATES

	Prime	Mortgage Rate		Mortgage Rate
Centerre Bank of Kansas City	11	Loans up to 80 percent, ratio 30-year maturity, 13.75 percent and 2 percent origination fee. Fifteen-year amortization, 13.50 percent and 2 percent origination fee.		2 percent origination fee; 3-year, 11.50 percent and 2.5 points discount or 12.25 percent and 2 percent origination fee; 5-year, 13.25 percent and 2 percent origination fee. All with 5 percent cap and 5 percent down. VA, 12.50 percent, call for discount.
Commerce Bank of Kansas City	11	Loans up to 95 percent, ratio, 13.50 percent and 3 percent origination fee. Thirty-year amortization maximum FHA and VA loans 12.50 percent and 4 points and 1 percent origination fee. One-year ARM, 12.00 percent with 2 percent origination fee and 12.50 percent with no origination fee.	Capital Federal Savings & Loan	Thirty-Year adjustable, 1-year, 11.50 percent; 3-year, 12 percent; 5-year, 12.50 percent. All have 2 percent origination fee, a maximum yearly change of 1 percent and a maximum lifetime change of 5 percent. Fixed rate, 13.75 percent and 2 percent origination fee with 30-year amortization; 13.25 percent and 2 percent origination fee with 15-year amortization. Assumption, 12.5 percent and 1 percent transfer fee.
Commercial National Bank of Kansas City, Kansas	11	For customers, 13.50 percent plus 1.5 points. Three-year balloon and 25-year amortization maximum.	Century Savings Association of Kansas	Fixed rate, owner occupied, 14 percent, 2 percent origination fee and 30-year amortization. Adjustable loans, 1-year, 11.625 percent; 3-year, 12 percent; 5-year, 12.875 percent. All with 2 percent origination fee and 30-year amortization.
First National Charter Bank of Kansas City	11	One-year adjustable, 10.75 percent with 10 percent down; thirty-year amortization maximum, and 2.5 percent origination fee. Thirty-year fixed rate, 13.425 percent with 5 percent down payment and 2.5 percent origination fee. Adjustable loans: 3-year, 12.00 percent and 5-year, 13.4 percent. Thirty-year amortization maximum and private mortgage insurance required for less than 20 percent down.	CMSC Mortgage Co.	One-year adjustable, 9.875 percent with 10 percent down. Three-year adjustable, 12.875 percent with 5 percent down and convertible to a fixed rate at no cost. Fixed rates, 30-year, 13.25 percent and 15-year, 13.125 percent, both with 5 percent down. Investor loans, 3-year, 13.00 percent with 10 percent down or 90 percent L.T.V. FHA and VA loans at market rates. Jumbo loans available to \$500,000.
Kansas City Bank & Co.	11	Not actively soliciting mortgage loans. Will consider requests from existing customers with adequate margins.	Farm & Home Savings Association	Adjustable loans, 1-year, 10.50 percent plus 2.25 percent origination fee or 9.50 percent plus 3.25 percent origination fee with a maximum change of 6 percent maximum and 3-year, 11.75 percent with 2.25 percent origination fee or 10.75 plus 3.75 percent origination fee and a maximum change of 5 percent. FHA and VA loans, 12.50 percent with 1 percent origination fee and 3 or 3.5 points discount depending on size of the loan. Fixed rate mortgages available at 13.50 percent with 2.25 percent origination fee.
Main Banks	11	Conventional 30-year fixed, 13.425 percent with 2.5 percent origination fee. Adjustable rate and convertible mortgages also available. Rate is subject to change.		* No rate quoted
United Kansas Bank		Thirty-year fixed rate, 13.25 percent with 2 percent origination fee. Fifteen-year fixed rate, 13 percent with 2 percent origination fee. Adjustable loans have a maximum yearly change of 1 percent and a maximum lifetime change of 5 percent. Adjustable mortgage loans, 1-year, 11.50 percent; 3-year, 12.00 percent and 5-year, 12.50 percent. Jumbo loans available up to \$500,000.		
Anchor Savings Association		Thirty-year fixed rate, 13.50 percent with 2 percent origination fee and 5 percent or more down. Adjustable mortgage loans, 1-year, 10.75 percent and 1 point discount or 11.50 percent and		

# Tickets Unlimited stages new revue of theater

By SUSAN WORTMAN

She looks like an average mother and she is — when she is upstairs. Downstairs, however, it's strictly business.

Fifteen Silverman is owner, president and

November and December, Silverman made ticket arrangements for more than 35 groups, and she has already sold tickets for shows that will be in town in May.

The business has worked because people

