

MINUTES OF THE SENATE COMMITTEE ON COMMERCIAL AND FINANCIAL INSTITUTIONS.

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

9:00 a.m./~~p.m.~~ on February 16, 1984 in room 529-S of the Capitol.

All members were present except:

Senators Hess and Gannon - Excused

Committee staff present:

Bill Wolff, Legislative Research  
Bruce Kinzie, Revisor of Statutes

Conferees appearing before the committee:

Senator Bert Chaney  
Jack Roberts, Blue Cross-Blue Shield of Kansas  
L. M. Cornish, Kansas Life Association  
Marvin Steinert, Savings and Loan Department

The minutes of February 15 were approved.

The hearing on SB 622 began with the testimony of Sen. Bert Chaney, the author of the bill, who had had the bill introduced at the request of a constituent. He explained that the bill would mandate health care coverage for children of the insured until age 25 as long as the child is unmarried and enrolled in school. He said that this would be a financial help to parents in the cost of sending their children to college and that the law does not speak to this at all at present.

Jack Roberts, Blue Cross-Blue Shield of Kansas, began his testimony on SB 622. He said that in the past the age limit was 19, and it was raised to 21' except for students for which the age limit would be 23. At present, all contracts are for age 23 because of a problem that developed in defining "student". He added that he felt he could partially address the problem. He explained that at present they have a rider that any contract can be purchased for age 25 except for contracts with Farm Bureau which have an age 21 limit. Sen. Werts asked Mr. Roberts if he would agree that SB 622 would have the effect of raising premiums for all but that as it is now, it is selective. Mr. Roberts agreed.

The chairman called on L. M. Cornish, Kansas Life Association, for his testimony on SB 622. Mr. Cornish told the committee they may wish to consider a statute in effect now (40-2202) that speaks to the age of accident and sickness policies at age 19. Also, he said that, generally, policies today are written at age 23 for students enrolled in school full time rather than just enrolled in school.

With no other persons wishing to testify on SB 622, the hearing on it was concluded.

The chairman called on Marvin Steinert, Kansas Savings and Loan Department, to present his request for the introduction of a bill. (See Attachment I.) He told the committee that the amendment to the statute is found on page two of his proposed bill under "impairment of capital". He said that the language here will replace a special order issued by the Commissioner in 1983.

The chairman asked if the committee refused to pass the bill after its introduction would it negate the special order of the Commissioner. Mr. Steinert answered that it probably would not but that it may be that it would be necessary to ask for the Attorney General's opinion.

Sen. Pomeroy made a motion to introduce the bill. Sen. McCray seconded the motion. The motion carried.

The meeting was adjourned.

SENATE COMMITTEE

ON

COMMERCIAL AND FINANCIAL INSTITUTIONS

OBSERVERS  
(Please print)

DATE	NAME	ADDRESS	REPRESENTING
2/16	Tom Fritzen	Lawrence	Sen. Hess
	Marvin Unholtz	Topeka	KCUK
	MARVIN STERNICK	Topeka	S & L Dept.
	Ron Todd	"	Ins Dept.
	JACK ROBERTS	"	BC-B5
	LM CORNISH	"	16 Assoc of P/C Cos
	JEREL WRIGHT	"	KCUK
	DICK BLOCK	"	Ins Dept

BILL NO. \_\_\_\_\_

AN ACT relating to savings and loan associations; concerning impairment of capital; amending K.S.A. 17-5101 and repealing the existing section.

Be it enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. 17-5101 is hereby amended to read as follows: 17-5101. The following words when used in articles 51 to 58, inclusive, of chapter 17 of the Kansas Statutes Annotated shall, for the purpose of this act, have the meanings respectively ascribed to them in this section:

(a) "Association" shall mean a savings and loan association subject to the provisions of this act.

(b) "Board" shall mean the savings and loan board.

(c) "Combination home and business structure" shall mean a building or buildings, including residences for not more than four families, which is used in part for business purposes. The residential use of such a building must be substantial and permanent, not merely transitory. The business use may predominate.

(d) "Commissioner" shall mean the savings and loan commissioner.

(e) "Direct reduction loan" shall mean a loan repayable in consecutive installments, equal or unequal, beginning not later than six months after the date of the advance of the loan, sufficient to retire the debt, interest and principal, within 30 years. Any such loan is an amortized loan.

(f) "Sinking fund loan or share retirement loan" shall mean a loan to be repaid by maturing shares having an ultimate value equal to the loan. The borrower shall pay dues on the shares periodically and shall be credited with dividends from the

Attachment I

earnings of the association as provided by the bylaws. The dues paid on the shares plus the dividends credited shall equal the loan at maturity.

(g) "Gross income" shall mean the sum for an accounting period of the following: (1) Operating income; (2) real estate income; (3) all profits actually received during such accounting period from the sale of securities, real estate or other property, and (4) other nonrecurring income.

(h) "Home" shall mean a dwelling or dwellings for not more than four families. A property does not cease to be a home because of the incidental use of it for minor business purposes so long as the principal use of the property is for residence purposes. A home on a farm is a home.

(i) "Home loan" shall mean a real estate loan when the security is home property.

(j) "Home property" shall mean real estate on which there is located, or will be located pursuant to a home loan, a home or a combination home and business structure located in an urban area.

(k) "Impairment of capital" shall mean that the ~~net--worth~~ ~~accounts-in-the-aggregate-of-the-association-do-not-exceed-2-1/2%~~ ~~of--withdrawable--capital~~ association's assets are less than its obligations to others, including its members. A determination of impairment of capital may be made by the board of directors or the commissioner.

(l) "Improved real estate" shall mean real estate (other than land in a state of nature or wild land) on which there is a structure or an inclosure, which is cultivated, reclaimed, used for the purpose of agriculture in any form, or otherwise occupied, made better, more useful or of greater value by care so as to produce an enjoyment thereof.

(m) "Insured association" shall mean an association insured by federal savings and loan insurance corporation created under the title IV of the national housing act, or acts amendatory or supplemental thereto.

(n) "Member" shall mean a borrower, obligor, contract

purchaser indebted to the association or an individual, and any other legal entity who is the owner of shares of an association.

(o) "Net earnings" shall mean gross income for an accounting period less than the aggregate of the following: (1) Operating expenses; (2) real estate expenses; (3) all losses actually sustained during such accounting period from the sale of securities, real estate or other property, or such portion of such losses as shall not have been charged to reserves, pursuant to the provisions of this act; (4) all interest paid, or due but unpaid, on borrowed money; (5) other nonrecurring charges; and (6) interest or dividends on withdrawable capital.

(p) "Operating expenses" shall mean all expenses actually paid, or due but unpaid, by an association during an accounting period, excluding the following: (1) Real estate expenses; (2) interest on borrowed money; (3) other nonrecurring charges. That portion of prepaid expenses not apportionable to the period may be excluded from operating expenses, in which event operating expenses for future periods shall include that portion of such prepaid expenses apportionable thereto.

(q) "Operating income" shall mean all income actually received by an association during an accounting period, excluding the following: (1) Real estate income; and (2) other nonrecurring income.

(r) "Other real estate loan" shall mean a real estate loan when the security is improved real estate other than home property.

(s) "Participation value" shall mean the aggregate of payments by a member on shares plus dividends credited to the shares, less redemption and repurchase payments.

(t) "Real estate expenses" shall mean all expenses actually paid or due but unpaid, in connection with the ownership, maintenance and sale of real estate (other than office building or buildings) by an association during an accounting period excluding capital expenditures and losses on the sale of real estate.



(u) "Real estate income" shall mean all income actually received by an association during an accounting period from real estate owned (other than office building or buildings) excluding profit from sales of real estate.

(v) "Real estate loan" shall mean a loan on the security of real estate evidenced by any form of instrument whereby a lien is created upon such real estate for the benefit of another person as security for the payment of an obligation to such person or whereby title to real estate is conveyed to another person as trustee for a third person, as security for the payment of an obligation to such third person.

(w) "Capital" shall mean the aggregate of payments on shares by members, plus dividends credited to such shares, less redemption and repurchase payments.

(x) "Net worth accounts" shall mean the sum of all reserve accounts, paid in surplus, retained earnings, guarantee stock, permanent stock and reserve stock, of an association, excluding any specific or valuation reserves established by an association or at the direction of the commissioner to cover a potential loss on a specific loan or transaction.

(y) "Withdrawable capital" shall mean the sum of all savings deposits, shares or other authorized accounts of an association for fixed, minimum or indefinite periods of time as are authorized by the bylaws of an association and regulations of the commissioner, excluding net worth accounts.

(z) "Residential real property" or "residential real estate" shall mean leaseholds, homes (including condominiums and cooperatives, except that in connection with loans on individual cooperative units, such loans shall be adequately secured as defined by the commissioner), combinations of homes and business property, other dwelling units or combinations of dwelling units including homes and business property involving only minor or incidental business use, or property to be improved by construction of such structures.

(aa) "Loans" shall include obligations and extensions or

advances of credit; and any reference to a loan or investment includes an interest in such a loan or investment.

(bb) "State" shall mean any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, the Canal Zone, Guam, American Samoa, and any territory or possession of the United States.

Sec. 2. K.S.A. 17-5101 is hereby repealed.

Sec. 3. This act shall take effect and be in force from and after its publication in the statute book.