Approved Feb. 21, 1985
Date

MINUTES OF THE House COMMITTEE ON Commercial & Financial Institutions.

The meeting was called to order by Representative Harold P. Dyck at
Chairperson

3:30 xxxx/p.m. on February 19, 1985 in room 527-S of the Capitol.

All members were present except: Representatives David Miller and Dorothy Nichols, each excused

Committee staff present: Bill Wolff, Legislative Research Department
Bruce Kinzie, Revisor of Statutes Office
Myrta Anderson, Legislative Research Department
Virginia Conard, secretary

Conferees appearing before the committee:

Representative Dennis Spaniol
Kim Dewey, Intergovernmental Coordinator, Wichita
Marvin Umholtz, Kansas Credit Union League
Harold Stones, Executive Vice President, Kansas Bankers Association

Chairman Harold Dyck opened the meeting and called on Representative Spaniol who testified as one of the sponsors of HB2224. Rep. Spaniol introduced Mr. Kim Dewey, Intergovernmental Coordinator of Wichita and asked Mr. Dewey to give further testimony on the bill. (See Attachment I for details.)

Marvin Umholtz then spoke on HB2224, stating that the Kansas Credit Union League held no position on this bill but wanted to present a technical clarification of HB2224. (See Attachment II for details.)

There being no further conferees on HB2224, Chairman Dyck called on conferee Harold Stones, Executive Vice President of Kansas Bankers ASsociation, who spoke in favor of Substitute for SB42. (See Attachment III for details.)

Testimony also in favor of Sub SB42 was presented in written form only (see Attachment IV) by the Kansas Independent Bankers Association, Inc.

Representative Susan Roenbaugh moved that the minutes of the February 12, 1985, be approved. Rep. Dick Eckert seconded the motion. Motion carried.

The meeting adjourned at 4:00 pm.

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

DATE February 19, 1985

GUEST REGISTER

HOUSE

COMMERCIAL & FINANCIAL INSTITUTIONS

NAME	ORGANIZATION	ADDRESS
Ron Bates		1200 Taylor, Topeka
Chip Wheelen	KIBA	Topeka
John Spurgeon	Budget	Lawrence
M.C. Umholtz	KCUL	Topeka
Joel Wright	KCUL	Topeka
Ellen Davis	KLSI	Topeka
Dennis Spurrier	Rep - 94th	Wichita
KC Dewey	WICHITA	SEDGWICK Co.
Jim Maag	~~Topeka~~ KBA	Topeka
Harold A. Stones	KBA	Topeka

SEDGWICK COUNTY, KANSAS

DEPARTMENT OF ADMINISTRATION

FOREST TIM WITSMAN
COUNTY ADMINISTRATOR

COUNTY COURTHOUSE,• 525 N. MAIN,• WICHITA, KANSAS 67203-3703• TELEPHONE 268-7575

Testimony of Kim C. Dewey
Board of Sedgwick County Commissioners
HB 2224
House Commercial and Financial Institutions Committee
February 19, 1985

Under the Disposition of Unclaimed Property Act, K.S.A. 58-3931 requires that unpaid wages be presumed abandoned after one year , and is subject to being reported and paid over to the State Treasurer. K.S.A. 58-3909 regards unclaimed intangible personal property, which is held by a public agency. This is considered abandoned after seven years.

The disposition of unclaimed county warrants is governed by K.S.A. 10-815 and K.S.A. 19-320. The former gives the Board of County Commissioners the discretion to cancel unclaimed warrants after two years and the latter requires that the same be canceled after three years and returned to the fund it was drawn on. It would appear that these two statutes conflict with the requirements of the Disposition of Unclaimed Property Act, and that some provision needs to be made in the Act to exempt these two statutes from the requirements.

This can be accomplished by adding K.S.A. 10-815 and K.S.A. 19-320 to the list of exceptions contained in K.S.A. 58-3929.

ATTACHMENT 1 2/19/85

19-320. Unclaimed warrants; cancellation. Whenever any county warrant, issued to any person, remain in the office of the county clerk unclaimed for a period of three years from the date thereof, such warrant shall be returned by him to the board of county commissioners and canceled.

History: G.S. 1868, ch. 25, § 59; Oct. 31; R.S. 1923, 19-320.

Cross References to Related Sections:

Cancellation of unclaimed warrants, see, also, 10-815.

10-815. Cancellation of certain county warrants; balances. (a) On and after July 1, 1947, and in every case occurring heretofore and hereafter, in which the county boards of commissioners or the county boards of social welfare, as the case may be, shall have issued a warrant against any of the funds of the county treasury and a period of two years shall have elapsed since the signing of such warrant, during which time no person entitled thereto shall have appeared to claim such warrant, or such warrant shall not have been presented to the county treasurer for payment, such warrant may, at the discretion of the board of county commissioners be canceled and set aside upon the records of the county. Such records shall show the date of cancellation, and shall recite that such warrant is unpaid but canceled by reason of this section.

(b) That in case a warrant shall have been presented to the county treasurer for payment within the two years above provided, and shall not have been paid for want of sufficient funds, or shall have been issued pursuant to law as a no-fund warrant, and shall have been registered, recorded and endorsed pursuant to the provisions of K.S.A. 10-807 and amendments thereof, the cancellation provided for in section 1 [*] of this act shall apply to such warrant when a period of two years has elapsed subsequent to the publication of a call for such warrant made pursuant to the provisions of K.S.A. 10-808 and amendments thereof.

(c) That all balances accruing from such unpaid canceled warrants shall revert to the county fund upon which such warrants were drawn.

History: L. 1947, ch. 213, § 1; June 30.

* "Section 1" evidently intended to refer to subsection (a) of this section.

Cross References to Related Sections:

Cancellation of unclaimed warrants, see, also, 19-320.

Research and Practice Aids:

Counties⇐169.
C.J.S. Counties § 251.

58-3931. Unpaid wages; abandoned, when. Unpaid wages, including wages represented by unpresented payroll checks owing in the ordinary course of the holder's business that have remained unclaimed by the owner for more than one year after becoming payable are presumed abandoned.

History: L. 1983, ch. 188, § 4; July 1.

58-3909. Property held by court, public officer or public agency. All intangible personal property held for the owner by any court, public corporation, public authority, or public officer of this state, or a political subdivision thereof, that has remained unclaimed by the owner for more than seven (7) years shall be presumed abandoned property.

History: L. 1979, ch. 173, § 9; July 1.

II

Kansas Credit Union League

1010 TYLER, SUITE 205
TOPEKA, KANSAS 66612

DATE: February 19, 1985

TO: House Committee on Commercial & Financial Institutions

FROM: Marvin C. Umholtz, Vice President
Kansas Credit Union League (KCUL)

SUBJECT: Technical Amendment to HB 2224; An Act amending the disposition of unclaimed property act; concerning applicability thereof;

Mr. Chairman, Members of the Committee:

The Kansas Credit Union League has no position on HB 2224. The statute it amends, K.S.A. 58-3929, cross references statutes appearing elsewhere in the Kansas Statutes Annotated which provide for the distribution of unclaimed property on a basis other than under the disposition of unclaimed property act. I am advised that the absence of a listing in this statute does not impact the applicability of the other statutes.

However, if the Committee decides to act favorably on this measure, we would ask that on line 0025, following "10-815", that the Committee amend in a reference to K.S.A. 17-2206a. This will assist attorneys and others who are familiar with K.S.A. 58-3929, but not familiar with the Kansas Credit Union Act, to quickly locate the appropriate statute.

This statute, a copy of which is included with our testimony, governs the handling of undelivered funds due creditors, depositors and shareholders of a defunct credit union by the CU Administrator (state CU regulator) and the State Treasurer. The procedure differs from that required under the disposition of unclaimed property act, but is similar in concept to the statutes in the banking code (9-1918) and savings and loan code (17-5564) which are currently identified in the statute amended by HB 2224.

Thank you, Mr. Chairman for allowing me this opportunity to present our amendment to HB 2224. I will respond to questions at your direction.

ASSOCIATION OF
KANSAS CREDIT UNIONS
AFFILIATED WITH CUNA, INC.
AND THE
WORLD COUNCIL OF CREDIT UNIONS

ATTACHMENT 2 2/19/85

17-2206a. Undelivered funds due creditors, depositors and shareholders of defunct credit union; duties of administrator and state treasurer; undistributed assets of defunct credit unions fund.

On and after July 1, 1972, and in every case occurring heretofore and hereafter, in which funds due to creditors, depositors and shareholders on liquidation of institutions under the jurisdiction of the credit union administrator under K.S.A. 17-2206 and 17-2230 are undelivered, they shall, together with accrued interest, if any, be paid to the credit union administrator, who shall deposit such payments with the state treasurer and credit such individual creditors, depositors or shareholders account in the undistributed assets of defunct credit union fund ledger. The state treasurer shall credit all such deposits to the undistributed assets of defunct credit unions fund which is hereby created. Said fund shall be used only for refunds and payments of amounts due creditors, depositors and shareholders on claims filed with and approved by the credit union administrator. Any balance remaining in said fund from any single defunct credit union five (5) years, during which time no person entitled thereto shall have appeared to claim such funds, shall be transferred by the credit union administrator to the state general fund and appropriate entries made in the individual creditors, depositors or shareholders record, showing the date and disposition of the funds and shall further recite that they were transferred by reason of this statute of limitation.

History: (L. 1972, ch. 62, sec. 1; July 1.)

TESTIMONY OUTLINE

KANSAS BANKERS ASSOCIATION
Tuesday, February 19, 1985

I. BACKGROUND: First of all, it is important to note that "Non-Bank Banks (many times referred to as "Loophole Banks") operate under the same laws as any other lnational bank. They are insured by FDIC, offer the same deposits and certificates as any other national bank, are subject to the same rules and regulations as any other national bank. The customers of these non-bank banks would not notice any differences at all, except that there would be no loans made to any small businesses or farmers----in short, the bank would have no power to make commercial loans. Because the non-bank bank gives up its authority to make commercial loans, the Comptroller of the Currency believes that this allows them to escape through a loophole in the Bank Holding Co. Act, and set up a nationwide, no-holds-barred system of multiple banking.

The authority being cited by the Comptroller of the Currency for the existence of "Non-Bank Banks" or "Loophole Banks" was created by a very intelligent corps of legal experts who discovered a loophole when comparing statutory language in the Federal Bank Holding Company Act and in the Douglas Amendment to that Act. This wording has been in existence for years, but the loophole is a fresh discovery.

A. The McFadden Act [12 U.S.C § 36(c)] prohibits a national bank from establishing branches outside the state in which its main office is located. The McFadden Act applies to banks, however, and not to bank holding companies, which were not regulated by federal law.

B. In 1956, the Douglas Amendment [Section 3(d)] of the Bank Holding Company Act [12 U.S.C. §§ 1841 *et.seq.*] was passed to deal with the interstate issue for bank holding companies. It prohibits a bank holding company from acquiring a **"BANK"** outside its home state, unless the laws of the state in which the acquired bank is located, specifically permit such acquisition.

C. The Bank Holding Company Act, however, goes on to define the

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word, "BANK", as **any company that <u>both</u> accepts demand deposit accounts, <u>and</u> also makes commercial loans.**

D. A common practice is for insurance companies, large national chain retailers, brokerage houses, bank holding companies, savings and loan holding companies and other types of organizations to either seek a new national bank charter which performs all functions of a commercial bank, **<u>except making commercial loans</u>**---or to purchase an existing full-service commercial bank, and sell off the entire commercial loan portfolio. Thus they believe they have "slipped through the loophole" of the definition in the Bank Holding Company Act. Unfortunately, the Comptroller of the Currency, because of the inaction of the United States Congress in the 98th Session, believes in this wholesale deregulation philosophy, and is granting such applications at a rapid rate.

E. There are now two "Non-Bank Bank" applications pending in the Office of the Comptroller of the Currency which request a Kansas location. Both request locations in Johnson County. They are applications from Holding Companies located in Kansas City, Missouri, and Minneapolis, Minnesota.

F. Over 350 Non-Bank Banks have been applied for nation-wide. The Comptroller of the Currency is approving them at a rapid rate, but the Federal Reserve Board appears to be applying the brakes. The Federal Reserve Board has no power to regulate insurance company, brokerage house, department store, etc. acquisition, but it does have authority to approve or disapprove applications from bank holding companies.**It is clear that the federal regulators disagree on the legality and intent of Congress on Loophole Banks.**

II. Senate Bill 42 is a classic case of allowing the Kansas Legislature to make major policy decisions affecting Kansas. Some are:

A. Is there now a significant group anywhere in our state who have difficulty obtaining financial services from existing chartered financial institutions, including our current 628 full-service

commercial banks, plus Kansas Savings and Loan Associations, S & L branches, and Credit Unions? **HAS ANYONE EVER OUTLINED A LIST OF PRECISE AND SPECIFIC NEEDS, other than simply to call them "Consumer" banks?**

B. Is it in the best interest of our state to now suddenly allow within our borders a **nation-wide or even world-wide system of multi-banking** without any study on the effects of such a major change? How will such nation-wide acquisitions affect our Kansas-based banks, who currently have no authority for intra-state acquisitions?

C. Is it in the best interest of the Kansas economy to permit an entire new class of financial institution which will not even be authorized to make commercial loans, which will basically be only **deposit exporting institutions**? Where will the funds come from for Kansas agriculture, small business, commercial real estate, manufacturing, high tech, etc. etc. loans?

D. We believe the Kansas Legislature, after careful reflection, will join the Legislatures of many other states in attempting to stop this "action by accident" until the issue receives serious and significant study.

III. We respectfully urge the members of the Senate Committee on Financial Institutions and Insurance to give favorable consideration to the passage of Substitute for Senate Bill 42.

Harold A. Stones

Substitute for

SENATE BILL 42

BY SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

AN act concerning banks and other financial institutions insured by the Federal Deposit Insurance Corporation; requiring such institutions to have the legal right to provide certain services to the public.

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

Section 1. No financial institution whose deposits are insured by the Federal Deposit Insurance Corporation shall conduct business in this state unless such institution has the legal right to accept deposits that the depositor has the legal right to withdraw on demand and to engage in the business of making commercial loans.

Section 2. This act shall take effect and be in force from and after its publication in the Kansas Register.

Non-bank facilities face ban

Denver Post

Denver Post Staff, Wire Reports 1/24/85

Limited banking institutions — known as "non-bank banks" — would be barred from operating in Colorado under a bill that cleared the state House of Representatives Wednesday with no debate and scarcely any explanation.

The measure, approved 65-0, already has won Senate approval and now moves on for the signature of the governor.

Kathy Richardson, Gov. Dick Lamm's press aide, said the governor is expected to sign the legislation, pending routine legal review for proposed laws.

Rep. Jim Scherer, R-Idaho Springs, discussed the measure only briefly on Tuesday as the measure was winning preliminary approval.

The bill says that any corporation with a banking institution in Colorado must both accept demand deposits and make commercial loans. Under federal regulations, only banks that provide one or the other service can be chartered across state lines.

Non-bank banks typically take demand deposits, but don't make commercial loans.

The bill excludes industrial banks and loan production offices from its provisions by defining a banking institution as national bank or a Colorado state bank.

The "near banks" to which the measure applies are able to engage in interstate banking, which is prohibited for ordinary banks in the state under federal law.

Nine major banking companies have applied for permission from the Comptroller of the Currency to establish non-bank banks in Colorado. Four have been approved, but would be prohibited under the bill approved Wednesday. Applications approved by the comptroller are by Ranier Bancorporation of Seattle for a Denver bank; Mellon Bank Corp. of Pittsburgh for Arvada; First Bank System Inc. of Minneapolis for Denver; and Chase Manhattan Corp. of New York for Denver.

WHY TWO BANK BILLS CRUMBLED

Jake Garn: the easy passage of his banking bill through the Senate took Fernand St. Germain by surprise

Neither Senator Garn nor Congressman St. Germain has succeeded in changing bank laws. So who won? Sears?

By Sarah Martin

The banking legislation that could have reshaped the US financial services industry has crashed at the close of the 98th Congress — an event that may mean Congress has permanently lost control over financial deregulation in the United States.

The demise of the legislation may, however, open the door to more scrambling by institutions to take advantage of the so-called non-bank bank loophole (*Euromoney*, July 1984).

A bill introduced by Senate Banking Committee chairman Jake Garn, which would have closed the loophole, but would also have substantially expanded banks' powers, passed the Senate by an overwhelming majority on September 13. However, the St. Germain bill, its rival in the House of Representatives, never even made it to the floor before being withdrawn by its sponsor, Fernand "Freddie" St. Germain, a Rhode Island Democrat. The result: no legislation at all, at least in this session.

Election-year jitters were partly at fault. As *Euromoney* predicted last July, a deadlock was a strong possibility from the start. The forces lined up on both sides of the legislation were powerful. Not enough members, at least in the House, wanted to risk offending either side. And the way in which the legislation fell apart has caused some observers to question whether St. Germain, the chairman of the House Banking Committee, may be losing his touch.

"St. Germain was simply not confident about his ability to control the bill to the extent that he wanted to," explained a spokesman for the American Bankers' Association (ABA).

St. Germain first brought out his bill, which would have increased regulation and *restricted* bank activity, in the wake of the Continental Illinois disaster last spring.

House aides were confident they were riding a tide of popular opposition to expanded powers for banks. They also had little regard for the Garn bill, which after months of hearings was bogged down in the Senate Banking Committee, where members were still trying to reach a consensus on the final version.

At the time the St. Germain bill was introduced, one House aide said: "We've got this bill on a fast track . . . We'll be here the very last night of this session in October, putting the final touches on it."

One of St. Germain's aims in bringing out a bill just after the Continental affair was that he wanted an opportunity to roast the regulatory authorities, of whom he has a low opinion. As he commented during the Continental Bank hearings before his Committee, "For those of us who have ridden the failed bank circuit, the *déjà vu* qualities of Continental are discouraging. It appears that the only thing the regulators have improved is their ability to make excuses. . . We will explore every aspect of the statutes which the regulators claim gave them the authority to proceed with the Continental bailout. If, indeed, the authority is clear — as the regulators steadfastly contend — then we have responsibility to review whether or not this power should remain in its unbridled form."

St. Germain had wanted to hold the Continental hearings early in the summer in the hope that they would give him the ammunition he needed to achieve some kind of restrictive, loophole-closing legislation. But, much to his displeasure, the regulators refused to appear, claiming that testifying then might jeopardize the Continental rescue package. As a result, St. Germain had to wait until September to hold the hearings, by which time the Senate had stolen a march on him and had a marked-up bill ready for consideration by the Senate floor.

According to one House staffer, St. Germain was "totally taken aback" by the size of the vote in favour of the bill in the Senate. The big banks had concentrated their lobbying efforts in the Senate while, in the House, lobbying by the banks was fragmented.

"The sentiment in the House was

disorganized," observed Steve Verdier, spokesman for the Independent Bankers Association (IBA) a lobbying organization that represents many smaller bankers. "St. Germain found himself in an ambiguous situation. He didn't feel that he had enough support to control his bill in conference; on the other hand there was not sufficient pressure from the House to force him to conference." One week after the Senate vote, St. Germain told the House: "I regret that it is not possible to move the loophole-closing legislation in this session. It is obvious that the Senate will not consider it unless we buy off on new and greatly expanded powers for banks and other financial institutions."

Bankers themselves were split over the two bills. The IBA, for example, saw as its top priority the closing of the non-bank loophole, since it has been largely the smaller banks that have felt threatened by the burgeoning competition from so-called consumer banks. Thus the IBA supported the St. Germain bill, even though St. Germain opposed any new powers for banks.

St. Germain: not confident of his ability to control his bill

The ABA, on the other hand, opposed the St. Germain bill and lobbied for the Garn bill, albeit in an oddly lopsided fashion. "The people who wanted broader powers really didn't do any work in the House," said Verdier. "I guess they figured the Senate could get the Garn bill through by immaculate conception."

One of the prime movers against the bill in the House was Sears, the merchandizing and financial conglomerate. "Sears brought a tremendous lobbying force to Capitol Hill. They hired former Congressmen and generally made the St. Germain bill very controversial," noted one lobbyist.

Sears' official line was that it supported the Garn bill and financial deregulation, and that it welcomed more competition in the financial services industry. The House bill, however, contained a provision, backed by St. Germain, that would have extended the Glass-Steagall Act (the law that prohibits commercial banks from underwriting securities) to thrift banks. Thus Sears would have had to divest itself either of its savings bank in California or of Dean Witter, its investment banking and securities trading arm. Sears may have feared that, if the bill reached conference, that provision might stay in it, possibly as a tradeoff for some extra powers for banks. Sears concentrated its lobbying effort in the small rules committee, which was where the bill went after the banking committee, and where it died without ever reaching the floor of the House.

There was substantial support in the House for liberalizing the Bank Holding Company Act, which would have allowed banks to do some revenue bond underwriting. The Securities Industry Association (SIA) was strongly opposed to that, as it was to the banks being able to underwrite mortgage-backed securities: "In an election year, where a lot of races are much tighter than expected, House members simply did not want to choose between the banking industry and the securities industry, both of which are big political action committee contributors," said an ABA spokesman.

The most controversial point in the St. Germain bill was whether non-bank banks in existence up to a certain date should be grandfathered — that is, treated as if their age gave them legitimacy. St. Germain originally denounced "the snakepit of grandfathering". But by the time his bill left the banking committee it had the same grandfather date as the Garn bill: July 1, 1983.

Why the hurry to produce a banking bill? One reason was the threat which the Comptroller of the Currency, C. Todd Conover, made to Congress. He was processing some 300 applications for new non-bank banks, and would not let any of them through while Congress debated legislation closing the non-bank loophole. But this moratorium would come to an end if there was no legislation. (It has now come to an end and the Comptroller is processing the applications.)

Another reason was the ruling by a US Circuit Court that the Federal Reserve was overstepping its bounds by attempting to redefine what constitutes a commercial loan. This redefinition was an attempt by the Fed to rope some of the non-bank banks back into the bank regulatory framework.

Chalmers P. Wylie, the leading Republican on the House Banking Committee, has now called on St. Germain "to make hearings and action on a wide-ranging banking bill an immediate priority as soon as Congress convenes in 1985".

Both Garn and St. Germain are counting on this awareness of the necessity for some kind of bill. They issued a joint statement: "Legislation addressing the competitive and regulatory framework of the financial system will be the first priority of the banking committees of the House and Senate, as soon as the 99th Congress convenes in 1985. Both of us agree on a need for a final resolution of all the issues early in the next Congress. As regards the specific issue of the so-called 'non-bank loophole', it is our intention that the grandfather date of July 1, 1983 become law. Those who invest funds now, assuming this grandfather date will be extended, will, in our opinion, end up having to divest, no matter what the cost."

Because of the lack of action in Congress, future battles may well be fought by states and groupings of states. The popularity of regional reciprocal banking arrangements among states is significant. However, these regional pacts are in limbo because Citicorp is suing the state of Connecticut in connection with the New England regional pact. Citicorp lost at the court of appeals and has taken its case to the Supreme Court.

Passing no legislation at all may turn out to be the most deregulatory action Congress could take, remarked an ABA official. He pointed out that even the Garn legislation might not have helped the smaller banks very much. Securities trading is not particularly important to many of them, and the grandfather date agreed on by Garn and St. Germain would allow enough to remain in business to represent a very potent competitive threat. "As bad as it is, I suppose it could get a lot worse," the ABA spokesman said. "Every Fortune Five Hundred company could start buying a bank."

Without clear guidance from the Federal Government, the process of deregulation seems likely to shift to the states more by default than by planning. As one top House aide put it: "Title XII [existing Federal banking law] is really old stuff, full of entrenched old interests. The issue is not really one of closing loopholes — that's minor. The basic issue is whether the Federal Government is going to continue to control financial institutions. Or are those powers going to adjourn to the states?"

utlook

JANUARY 1985

PULL OUT AND SAVE

day

American Banker 1/28/85

Nonbanks Expanding Their Financial Services

K mart Widens Testing; Sears Gets Delaware Bank

By JEFFREY MARSHALL

The nonbank-bank express continued to pick up speed last week, both through regulatory action and plans announced by financial services firms.

Warmed by success in selling a limited range of financial services in its stores, K mart, the nation's second largest retailer, said it will expand those services this summer at 35 test locations. In distinctly marked sections toward the rear of selected K mart stores, customers will be able to shop for consumer loans, mortgages, or real estate brokerage services.

An intriguing aspect of K mart's latest proposal is that it has signed separate one-year agreements with five companies for the delivery of services — with only one type of product available in each store. The contracts cover stores in Virginia, Indiana, Michigan, Wisconsin, and Illinois.

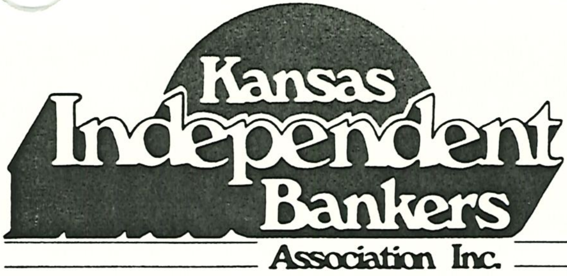
K mart already has had some limited success with insurance and savings and loan centers in some stores. And Robert E. Brewer, senior vice president for finance, said the chain plans to more than double the number of insurance centers from the 100 in operation now.

Sears, Roebuck and Co. — the only retailer bigger than K mart — was told by the Federal Deposit Insurance Corp. that the agency would not oppose its plan to buy a Delaware bank and turn it into a limited-service institution. A Sears spokesman said the company plans to take possession of the Greenwood Trust Co. this week.

Meanwhile, the Office of the Comptroller of the Currency approved 30 more applications to launch limited-service banks, bringing the total number of such approvals to 166. Twenty-seven of the latest batch would be located in Texas. Dallas, in particular, was chosen by a virtual Who's Who in American banking, with names such as Chase Manhattan, Chemical, Citicorp, Mellon, First Interstate, and Security Pacific.

Texas Attorney General Jim Maddox doesn't cotton to the idea of nonbank banks, however, and threatened to sue to bar the out-of-state banks that garnered approval for such facilities last week. Mr. Maddox, who noted that Texas has never allowed such institutions, said he fears that deposits made by Texans would be taken out of the state and lent overseas "to governments that cannot pay back the loans." □

February 19, 1985



P.O. Box 389 • Carbondale, Kansas 66414 • 913/564-9287

TESTIMONY TO

HOUSE COMMERCIAL AND FINANCIAL INSTITUTIONS COMMITTEE

1985 SENATE BILL 42

IT IS TIMELY THAT ONE WEEK AGO TODAY COMPTROLLER OF THE CURRENCY TODD C. CONOVER APPROVED APPLICATIONS FOR 30 LIMITED SERVICE INTERSTATE BANKS. THIS BRINGS TO 166 THE NUMBERS OF APPROVALS GIVEN TO THE MORE THAN 300 APPLICATIONS RECEIVED BY THE COMPTROLLER. MR. CONOVER HAS RESIGNED HIS OFFICE WITH AN ANNOUNCED EXIT OF SPRING, 1985.

BY THESE APPROVALS MR. CONOVER WOULD REWRITE EXISTING BANK STRUCTURE LAWS IN THIS STATE AND NATION - THEN HE WOULD WALK OUT AND LET THE CHIPS FALL WHERE THEY WILL. HE WOULD UNDO YEARS OF WORK BY LEGISLATURES AND THE CONGRESS TO ESTABLISH SAFETY AS THE NUMBER ONE PLANK IN THE FOUNDATION OF OUR BANKING SYSTEM.

ALSO BY THIS ACTION THE COMPTROLLER WOULD TAKE AWAY THE RIGHTS OF THIS LEGISLATURE TO CONTROL AND REGULATE BANKS IN THIS STATE - A STATES RIGHT ESTABLISHED LONG AGO BY OUR CONGRESS.

ALL BUT THREE OF THESE APPROVALS WERE FOR NON-BANKS IN TEXAS. TEXAS ATTORNEY GENERAL JIM MADDOX HAS THREATENED TO SUE THE COMPTROLLERS OFFICE OVER THESE CHARTERS. MADDOX COMMENTED, "THE MAJOR DANGER IS THAT DEPOSITS MADE BY TEXANS WOULD LEAVE THE STATE AND BE LENT OVERSEAS TO GOVERNMENTS THAT CANNOT PAY BACK THE LOANS.' - 'TEXAS HAS NEVER ALLOWED OUT-OF-STATE BANKS TO OPERATE HERE, AND WE DO NOT WANT TO START NOW."

TWO OF THE 160 APPLICATIONS REMAINING ON COMPTROLLER CONOVER'S DESK ARE FOR NON-BANKS IN KANSAS.

ATTACHMENT 4 2/19/85

WE BELIEVE YOU WOULD BE INTERESTED TO KNOW WHO WILL BE OPENING OFFICES IN TEXAS BY VIRTUE OF THOSE 30 APPROVALS MADE LAST TUESDAY:

IN DALLAS:

FROM NEW YORK: CHASE MANHATTAN - CHEMICAL NEW YORK - CITICORP - IRVING BANK - MARINE MIDLAND BANKS
FROM DETROIT: COMERICA, INC.
FROM PITTSBURGH: MELLON BANK
FROM LOS ANGELES: FIRST INTERSTATE BANCORP - SECURITY PACIFIC - UNION BANK

IN HOUSTON:

BANK OF BOSTON - CHASE - CITICORP - FIRST UNION OF NORTH CAROLINA - HONGKONG & SHANGHAI BANKING CORP OF LONDON - FIRST INTERSTATE,RANIER OF SEATTLE - SECURITY PACIFIC - UNION BANK.

BARCLAYS BANK OF LONDON WILL BE IN EL PASO AND PLANO.

CHASE MANHATTAN WILL BE IN FORT WORTH AND SAN ANTONIO.

FIRST INTERSTATE WILL BE IN SAN ANTONIO AND AUSTIN.

RANIER WILL BE IN AUSTIN.

THE FLORIDA BANKERS ASSOCIATION HAS SUED TO BLOCK NON-BANK ACTIVITY IN THAT STATE. THE INDEPENDENT BANKERS ASSOCIATION OF AMERICA HAS ENTERED THAT SUIT TO CHALLENGE THE COMPTROLLER'S AUTHORITY TO APPROVE THESE NON-BANKS. WE NEED SENATE BILL 42 TO AVERT ANY POTENTIAL DRAIN OF KANSAS' RESOURCES.