

MINUTES OF THE HOUSE COMMITTEE ON COMMERCIAL & FINANCIAL INSTITUTIONS

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

3:30 ~~am~~ p.m. on March 4, 1986 in room 527-S of the Capitol.

All members were present except: Rep. David Miller, excused; Rep. Mary Jane Johnson and
Rep. Bob Ott.

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

Conferees appearing before the committee: Mark Knackendoffel, Legis. Cttee Chm., KBA Trust Division
Harold Stones, KBA Executive vice president
Steve Wiechman, Kansas Associ- Daryl Becker, Vice Chairman, State Legislative
ation of Counties Committee, Kansas Independent Bankers Assoc.
Del Wiedeman, President, Kansas Association of
Wheat Growers
Bill Fuller, Asst Director, Public Affairs Div.,
Kansas Farm Bureau

Chairman Dyck opened the meeting and called on Steve Wiechman of the Kansas Association of Counties who explained the proposed amendment to Sub. for SB139, which reads: Change line 0277 from "shall" to "may"; change line 0278 by adding the words "not more than" between "by" and "½"; and in line 0285 the words "which may" in lieu of "shall".

Rep. Sand moved to approve the proposed amendment to Sub. for SB139. Rep. Schmidt seconded. Motion carried.

Rep. Wilbert moved that Sub. for SB139 as amended be reported favorably. Rep. Sand seconded. Motion carried.

Chairman Dyck called on Mark Knackendoffel, KBA Legislative Chm., Trust Division, who asked the committee to consider favorably HB3097. (See Attachment I for details.) There were no further conferees for HB3097.

Harold Stones, KBA Executive Vice President, spoke on behalf of HB2763. (See Attachment II for details.) Speaking in opposition to HB2763 were: Daryl Becker, Vice Chairman, Kansas Independent Bankers Association State Legislative Committee (See attachment III); Del Wiedeman, President, Kansas Association of Wheat Growers (See attachment IV); and Bill Fuller, Assistant Director, Public Affairs Division, Kansas Farm Bureau (See Attachment V).

Rep. Nichols moved, and Rep. Louis seconded, the approval of the Feb. 27, 1986, minutes, with the correction of the addition of the two following motions which were defeated on SB432:

Rep. Runnels moved to amend lines 0046 and lines 0047 in SB432 by changing the wording to read "The failed bank is located in a city or township which has no more than two banks." Rep. Louis seconded. Motion failed.

Rep. Sand moved for a conceptual motion for banks to be allowed to place detached facilities in the four towns, Coats, Baileyville, Elk City and Ramona, which have lost their chartered banks. Rep. Johnson seconded. Motion failed.

Meeting adjourned at 4:30 p.m.



Kansas Bankers Association
TRUST DIVISION
707 Merchants National Bldg.
8th & Jackson, Topeka, KS 66612

Testimony Supporting H.B. 3097

To: House Committee on Commercial & Financial Institutions
From: Mark Knackendoffel
KBA Trust Division Legislative Committee Chairman
Date: Tuesday, March 4, 1986 - 3:30 p.m.
Re: Trust services at detached auxiliary banking services facilities

K.S.A. 9-1111(d), which defines the services that a Kansas bank may offer at a detached facility, does not currently authorize the providing of trust services at such facilities. H.B. 3097 has been requested by the Trust Division of the Kansas Bankers Association in order to provide the statutory authorization for such services.

The Kansas Bankers Association - Trust Division seeks this change primarily to provide convenience to customers of Kansas bank trust departments. Many trust customers, particularly senior citizens, prefer not to drive to main bank offices in congested, downtown locations to meet with their account officers.

Nevertheless, due to the nature of trust department operations, we do not expect many, if any, trust departments to establish on-going trust account operations and personnel in detached facilities.



The KANSAS BANKERS ASSOCIATION
A Full Service Banking Association

March 4, 1986

TO: House Committee on Commercial and Financial Institutions

FROM: Harold Stones, Kansas Bankers Association

RE: House Bill 2763

HB 2763 is the recommendation to the Legislature from the Kansas Bankers Association concerning what we believe should be enacted in order to best preserve and provide banking services in as many communities as possible, but most especially in rural Kansas. This bill differs from the House Committee version of SB 432 in several important respects. The two most important, however, are as follows:

I. Preserving banking services

HB 2763 would allow any bank in Kansas to bid to assume the assets and liabilities of a failed bank in a one-bank town with no geographical restriction and no holding company restriction. Our computers are full of banking information. Because of KBA's involvement in providing blanket bond and other liability insurance to over 90% of Kansas banks, we must have access to all classified and other information not ordinarily available. It is important that the Committee understand the KBA has as complete information on the condition of Kansas banks as is available.

Restrictions of any kind on eligibility of bidding banks, such as those contained in SB 432 result in a risk that there will be no bidders. We have not heard anyone present a good case that the "dangers" of unrestricted bidding warrant such a risk, when one considers the consequences. **KBA wants the record to clearly show that we are making the recommendation to the Legislature that all Kansas banks possible be authorized to bid for and provide services to one-bank towns where the bank has been declared insolvent. Because of the tremendous hardships which result when banking services are no longer available, especially in these times of agricultural duress, we urge you NOT to restrict the opportunities for these communities to retain banking services.**

It is important for the future credibility of the KBA that the Committee clearly understand that our research and information show that potential bidders are getting more and more scarce, and such restrictions are unnecessary, and constitute a risk that services will be terminated in some Kansas communities for no major valid reason. Again, the KBA wants to clearly urge the Committee NOT to take such risks, especially if the reasons for restrictions are vague, unscientific, and purely a result of philosophy. Many people can be hurt, and we urge careful consideration of the reasons for taking such risks.

II. Returning banking services to rural Kansas

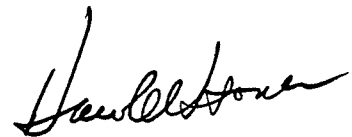
SB 432, as amended, allows a bank to place a detached facility in a town with no bank, if that town's bank has failed after January 1, 1983. This would allow banking services in Dexter, Herndon and Bronson.

HB 2763 would allow a bank to place a detached facility in ANY town in Kansas with no banking services, within its county. We do not believe the Kansas Legislature should tell any Kansas town that it will not allow banking services to be provided in that town, if some bank might be willing to do so. **The Kansas Bankers Association wants to clearly go on record that we are against the Legislature prohibiting banking services in any community in Kansas-----that we believe this is not good public policy, and we urge the Kansas Legislature to consider this issue carefully. Why should we not allow any bank within the county to place a banking facility in any other community where there is no banking service.**

There are other differences between the two bills, but the two above points are certainly the most major public policy differences, and the differences which will affect the most Kansans.

The Kansas Bankers Association would respectfully ask the Kansas Legislature to carefully consider if these two major actions do appear to be clearly in the public interest.

Thank you for your time and your consideration.



Harold A. Stones

TESTIMONY BEFORE THE
HOUSE OF REPRESENTATIVES
COMMITTEE ON
COMMERCIAL & FINANCIAL
INSTITUTIONS

ON HOUSE BILL 2763

PRESENTED BY
DARYL BECKER
PRESIDENT
THE STATE BANK OF MERIDEN
MERIDEN, KANSAS

Testimony Before the
House of Representatives

Committee on Commercial and Financial Institutions

March 4, 1986

Mr. Chairman and members of the committee, I am Daryl Becker, Chairman and President of the State Bank of Meriden, Meriden, Kansas. I want to thank you for the opportunity to appear before you today and give my opinions regarding House Bill 2763.

I have spent twenty-seven years, my total career, with the State Bank of Meriden, the last twenty-one years as President.

I just finished two years on the KBA Governing Council and one year on the Board of Directors. I am currently serving as vice-chairman of the State Legislative Committee of the Kansas Independent Bankers Association.

First, I would like to explain where Meriden is located. We are about fifteen miles northeast of here on K4 Highway which connects Topeka with Atchison and St. Joseph. The highway is roughly the Shawnee-Jefferson county line. Our bank is located on the east side, making us in Jefferson County.

Our bank is not within the city limits of Meriden. We are located in Rock Creek Township, Jefferson County.

House Bill 2763 is a combination of three pieces of legislation. The first part is a branching bill which would

permit de novo branching into towns and townships where currently no banks exist, the second part is legislation designed for communities with only one bank, which fails, and the third part is a clarification of language regarding remote service units.

I would like to refer to the first part of this bill, to liberalize branching, as the Don See resolution. Don See is a Johnson County banker who wrote the original draft of this legislation about two years ago. Don brought this draft to the KBA asking that it be introduced as legislation because of the unique banking climate in Johnson County.

There are a number of townships and cities in that area that are not the home office of a commercial bank. The competition is spreading where the banks cannot go with facilities under current law.

However, I remind you that in Kansas, investors, partnerships, and other Kansas banks can already place a chartered bank anywhere in the state with the approval of the Kansas Bank Board or the Office of the Comptroller of the Currency in the instance of a national bank. Because of this, many of the bill's elements are not needed. If the economy of an area can support banking services then a chartered bank can provide the answer whether it be Johnson County or Sherman County. There is a tremendous difference in an investor or investors putting a considerable sum of funds into the capitalization of a new bank in a community, rather than establishing a facility or branch there. The capitalized bank must realize a profit to pay for that investment by being totally involved in the community, its

needs and growth.

Although personally I am sympathetic to the needs of Johnson and Wyandotte Counties, laws should not be made just to accomodate two or three counties. No one else has asked for this authority and little interest in the issue has been expressed from other bankers. The Kansas Independent Bankers Association remains firmly against proliferation by branching.

Let's look at the bill. Counties of 100,000 population or more -- banks located therein may establish facilities within the city or contiguous townships or the next contiguous townships. This would mean two townships out from the city limits, assuming there was no home office bank in that township. This would only apply to Sedgwick, Shawnee, Johnson and Wyandotte counties.

Counties of less than 100,000 population -- banks located therein, which is the balance of counties in the state, may establish facilities in any town or township which has no home office bank.

Now, we see a new section added to this bill, Section G, starting at line 0144, which says that a bank located in a city shall be deemed to also be located within any contiguous township. This would allow banks in counties of 100,000 population to place facilities three contiguous townships out from the city. This, then, would probably let them go anywhere within their county.

Look at Shawnee County for example -- I am on the

Jefferson County side of the highway with my home office. Thirteen Topeka banks, could in effect, place a facility across the highway from my bank. As I stated, this is not exactly true because the highway does not follow precisely on the county line, but approximately so.

Soldier Township, which is north of Topeka, is a heavily populated area with no home office bank within its borders. It is served by the Topeka banks and our bank. The Topeka banks could, under this bill, establish facilities anywhere within this township because it is contiguous to Topeka. I could not, because I am on the wrong side of the road, in Jefferson County and cannot cross the county line. Rossville and Silver Lake banks could put a facility across from me, they are in Shawnee County and could go three townships away.

Now, lets see what I could do as a Jefferson County bank, not located within a city. Monmouth Township, which is the far southeastern township in Jefferson County, has no home office bank. I could therefore, place a facility in north Lawrence.

In my opinion, I have no business being allowed to operate a facility that far away, and I do not feel the Topeka banks should be given the privilege of servicing the Soldier Township area if I cannot. Think of how many other areas of our state would be effected the same way.

If you turn this around and say banks in contiguous townships can place facilities in a city then Silver Lake, Rossville and Auburn can place a facility across from the

State Capitol, or at Sixth and Kansas Avenue.

Section "H" through "J" of this bill is the safety net legislation portion. This committee has already addressed a solution to help one-bank towns who lose their bank by reporting SB 432 to the House floor. Testimony for SB 432 by the Kansas Independent Bankers Association was presented to your committee last week.

Senate Bill 432 covers more closely the restrictions on facility placement, that I feel are necessary. However, we must be careful in legislating facilities or all failed bank situations will end up as facilities. That would be an injustice to one-bank towns with larger populations.

I own farms east of Dodge city, north of Garden City and south of Quinter. I have a degree in land management but certainly do not feel I am qualified to operate a facility in Herndon or Dexter because of the distance from Meriden and knowledge of those areas. I could bid on one and operate it as a depository only, bringing the funds back to Meriden to loan out.

I do feel banks in the area of the one-bank town, who are familiar with those customers and the economy of that community could and would operate a facility that would be beneficial to the area effected. SB 432 best addresses this consideration.

Ladies and gentlemen, at this time we are experiencing some difficulties with bank failures and a sagging Kansas economy. There is only a limited amount of bank capital

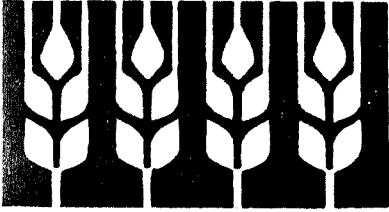
Daryl Becker
March 4, 1986
Page -6-

available. At this time we need to use that capital in our banks, not investing in more facilities. The Kansas Independent Bankers Association respectfully requests your rejection of HB 2763.

Thank you very much for your time. I hope you will give my thoughts and opinions serious consideration.

11

**KAN ASSOCIATION
OF WHEAT GROWERS**



HOUSE COMMITTEE ON COMMERCIAL & FINANCIAL INSTITUTIONS
Representative Harold Dyck, Chairman

Hearing on House Bill 2763 - Concerning detached auxiliary
banking services facilities.

Mr. Chairman, Members of the Committee, my name is Del Wiedeman. I am President of the Kansas Association of Wheat Growers. I appreciate the opportunity to appear before you today, in opposition to House Bill 2763.

The Kansas Association of Wheat Growers has been on record for many years, in opposition to the concept of removing bank ownership and decision making from the local community and centering them in large metropolitan areas. This has been the basis for our opposition to both multi-bank holding companies, and branch banking. It is the deep feeling of Kansas farmers, that the local banker is in a unique position to know about, and react to local conditions. Therefore, we feel the local banker is best suited to serve the needs of the average farmer or small businessman.

With this basic concern stated, I would like to quote the particular resolution passed at our state convention this past December. It reads as follows:

|The KAWG OPPOSES interstate multi-bank holding companies and branch banking. The small town bank is the backbone of farm credit. They are best suited to serve the needs of the average farmer and small business. Branch banking poses a threat to all small town banks and the people they serve. |

Last year, when proponents of multi-bank holding companies testified in favor of new legislation, which unfortunately passed, they told the legislature that the state did not need branch banking. An argument made in favor of multi-banking was that it would create a larger pool of buyers in the event of a small town bank failure. Obviously, the multi-bank companies failed to provide this security in the case of two of last year's thirteen bank failures. As a result of that, they now come forward seeking to expand branch banking, not only to those one bank towns that lost their bank, but statewide, through HB 2763, and several companion bills which have been introduced.

In addition to our premise that the people in a given community have the right to exercise control over their own destiny, and the right to be protected from the desire of those who control large amounts of financial power, to include them in that power base; we feel that residents of small communities have the same right to have their deposits protected by adequate collateralization of their banking facilities, that residents of larger cities enjoy.

Due to the failure of the multi-bank holding companies to provide buyers for two of the banks that failed last year, we felt it prudent to support Senate Bill 432 in order to provide at least limited service to those small towns that were, or may be caught without banking services. We felt the limitations provided in SB 432 would protect our small communities without exposing them to the dangers of statewide branch banking.

Last year, multi-bank proponents described the issue as a "banking issue." This year they call branch banking a "people issue." We feel they are the same issue, and that it is, indeed, a "people issue." We do not feel that broadening the power base of large banks, at the expense of rural residents is in the best interests of the people

Attachment IV
House C&FI
March 4, 1986



PUBLIC POLICY STATEMENT

HOUSE COMMERCIAL AND FINANCIAL INSTITUTIONS COMMITTEE
Representative Harold Dyck, Chairman
March 4, 1986

RE: H.B. 2763 - Statewide Branch Banking

Presented by:
Bill R. Fuller, Assistant Director
Public Affairs Division
KANSAS FARM BUREAU

Mr. Chairman and Members of the Committee.

I am Bill Fuller, Assistant Director of the Public Affairs Division of Kansas Farm Bureau. I am speaking on behalf of the farm and ranch members of our organization. We appreciate this opportunity to express our views on H.B. 2763 ... a proposal to allow statewide branch banking.

On February 25, Paul Fleener presented a statement to this committee expressing Farm Bureau's **SUPPORT** of S.B. 432 ... the Community Resources Security Act. Even though those remarks are applicable as we express concern on the proposed legislation before us today, I will not repeat that statement. However, I must review with you our current (1986) policy:

... In order to help maintain the viability and vitality of rural communities in Kansas, we support legislation to permit a bank in Kansas to operate a facility in a community with only one bank IF that one bank is found to be insolvent, or outside support would keep it solvent and prevent a collapse. Preference to operate a facility in a one-bank town whose bank has failed or is in danger of failure should be given to a bank in the same county or geographic

The voting delegates at the 67th Annual Meeting of KFB amended and liberalized their policy position on this issue from last year (1985) which read:

... We believe there should be no further development of detached facilities or services by banks or other financial institutions.

Current KFB policy concerning the status of previous resolutions states ... **The resolutions adopted at the four previous Annual Meetings are hereby reaffirmed, except insofar as they have been modified or supplemented by later resolutions.** Therefore, the 1985 KFB policy stating ... **We are opposed to branch banking ... stands.**

We believe we have compromised and are realistic on this issue. Various amendments have liberalized and broadened the application of S.B. 432. Authorizing statewide branch banking through H.B. 2763 is unacceptable.

Farm and ranch bank customers value the personal relationship they now have with their hometown banker who often is a long-time resident of that community. They want to preserve the current involvement and leadership hometown bankers have in their communities. Agricultural producers need **full** banking facilities in their communities, including the availability and opportunity to service loans.

In closing, we urge the defeat of H.B. 2763 and encourage the passage of S.B. 432. Thank you for this opportunity to express our views.