

Approved February 4, 1986  
Date

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE

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

9:00 a.m./~~p.m.~~ on January 31, 1986 in room 529-S of the Capitol.

All members were present except:

Committee staff present:

Bill Wolff, Legislative Research  
Myrta Anderson, Legislative Research  
Bruce Kinzie, Revisor of Statutes

Conferees appearing before the committee:

None

The minutes of January 30 were approved.

Committee discussion began on SB 432, enacting the community resources security act. The Chairman noted that in talking with committee members, there had been suggested changes but no opposition to the concept of the bill.

The Chairman called attention to one amendment suggested by Sen. Talkington on page two of the bill which adds a new Section 5 which would address one bank communities that fall under the provision of the bill that already have failed banks.  
(See Attachment I).

Sen. Burke made a motion to adopt Sen. Talkington's proposed amendment. Sen. Karr seconded, and the motion carried.

The Chairman began a discussion of the population limitation of 750 in the bill. He noted that increasing the limitation had been suggested. He said that he is reluctant to increase it over 1000 because the higher it goes, the less chance the larger small towns will have of getting a charter bank.

Sen. Strick made a motion to change line 47 to read "1000". Sen. Karr seconded.

Sen. Werts made a substitute motion for an amendment to increase the number to 3000. Sen. Karr seconded the motion.

Sen. Werts expressed his concern about six counties in western Kansas with only one bank. He agreed that a charter is better and said that if it is a desirable location, there will be a bid by a charter.

Upon a call for a vote on Sen. Wert's substitute motion, the motion failed. Sen. Werts called for a division, and the motion failed.

Upon a call for a vote on the original motion made by Sen. Strick, the motion carried.

The Chairman called the committee's attention to a balloon of the bill prepared by Sen. Werts. (See Attachment II). Sen. Werts explained his proposed amendments which are as follows: Section 2, line 38, "failed" is changed to "insolvent" as a matter of clean-up. On line 40, "as a new bank" is inserted after "charter". On line 41 "by a bidding bank" is inserted after "purchased". On line 44, "or township" is added after "a town". After a brief discussion began by Sen. Karr as to if the change on line 44 should also be made on line 45, it was determined that this was not necessary.

Sen. Werts made a motion to amend SB 432 up to this point of discussion. Sen. Reilly seconded, and the motion carried.

Sen. Werts continued with a suggested amendment on line 59 by striking "if the" before "bidding" and inserting "a" and by inserting "may" before "sell".

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE,  
room 529-S, Statehouse, at 9:00 a.m. ~~p.m.~~ on January 31, 1986.

At this time, Sen. Strick offered a motion to change line 57 from "five years" to "two years". He felt that the bank should not be legally obligated to stay open if it should begin to lose money before the five years had passed. Sen. Karr seconded, and the motion carried.

Sen. Werts made a motion to approve his amendment on line 59. Sen. Gordon seconded, and the motion carried.

Sen. Kerr had a question regarding "at such location" located on line 61 as to what the definition of location is in this case, the facility or the town. After some discussion as to if the word "town" is used in the statute and if it was the proper term, it was determined by staff that it is probable that town is acceptable. Sen. Kerr made a motion to amend line 61 to read "in such town or township", that the revisor determine the correct language, and that this clean up be done throughout the bill where necessary. Sen. Burke seconded, and the motion carried.

Sen. Gannon expressed his concern in regard to subsection (c) dealing with contiguous counties. He said he is not certain that there are enough solid banks to serve western Kansas counties. He would prefer to eliminate subsection (c). The Chairman disagreed with Sen. Gannon that the section should be eliminated. He gave the example of Wichita County which has a potential of twenty bidders in that area. Sen. Gannon replied that a lot of those banks are not the strongest, and there may be only three or four banks qualifying. Sen. Kerr suggested that the section be changed to read that there must be at least five banks that are eligible to bid under the FDIC bidding rules, and if there are not any in the contiguous counties, then concentric counties would be allowed to bid. Sen. Karr continued the discussion as to the difference in the bidding pool available between eastern and western Kansas. The Chairman said that he has two concerns: to maintain charter banks and if branch banking is necessary, to keep it as localized as possible and still address the problem.

Sen. Karr made a motion to allow border counties to go to the third ring of counties for a bidding pool. Sen. Gannon seconded the motion, and it carried.

Sen. Werts returned to Sen. Kerr's discussion of banks being eligible for bidding under the FDIC. He suggested that "banks or qualified banks acceptable to the FDIC as qualified bidders" be added to subsection (c). The Chairman said that the qualifications of bidding on a branch may not be the same as for banks, and he would rather wait and see how the bill works before making this change.

Sen. Burke made a motion to recommend SB 432 favorable for passage as amended. Sen. Harder seconded, and the motion carried.

A statement by the Kansas Association of Wheat Growers regarding SB 432 had been distributed to the committee. (See Attachment III).

The meeting was adjourned.

SENATE COMMITTEE

ON

FINANCIAL INSTITUTIONS AND INSURANCE

OBSERVERS  
(Please print)

DATE	NAME	ADDRESS	REPRESENTING
1/31/86	John Spurgeon		Budget Div
1/31/86	Pete McBee	Topeka	KIBA
1/31/86	Chip Wheeler	Topeka	KIBA
1-31-86	Jared Wright	Topeka	KCUA
"	Howard M. Kee	Hutchinson	KAWG
"	Jim May	Topeka	KBA
"	Harold Stone	Topeka	KBA
✓	Michael A. Hartman	Autumn	State Banking Dept.
"	John D. O'Leary	Topeka	"
"	Jack Montgomery	Topeka	Gov - Policy

0045 (b) the failed bank is located in a town, which is either  
0046 incorporated or unincorporated, having a population of less than  
0047 750 persons based on the most recent federal census; and

0048 (c) the bidding bank must come from the home county or an  
0049 immediate contiguous county to the home county of the failed  
0050 bank, except that if the home county and contiguous counties  
0051 together, do not have more than 10 banks, the bidding bank may  
0052 come from the counties contiguous to counties touching the  
0053 home county.

0054 New Sec. 3. The successful bidding bank shall operate the  
0055 failed bank acquired under the provisions of section 2, as a  
0056 detached auxiliary banking services facility for a period of at  
0057 least five years, before the bidding bank can sell or otherwise  
0058 dispose of such detached auxiliary banking services facility,  
0059 except that if the bidding bank sells or disposes of the detached  
0060 auxiliary banking services facility for the purpose of establishing  
0061 a new bank charter at such location.

0062 New Sec. 4. A failed bank acquired under the provisions of  
0063 section 2 shall not count against the bidding bank's aggregate  
0064 number of detached auxiliary banking services facilities under  
0065 the provisions of K.S.A. 9-1111, and amendments thereto, but no  
0066 bidding bank shall acquire and operate more than two detached  
0067 auxiliary banking services facilities, if such facilities are ac-  
0068 quired under the provisions of this act.

0069 New Sec. ~~5~~ The provisions of sections 1 through ~~4~~ shall  
0070 expire on July 1, 1991.

0071 Sec. ~~6~~ K.S.A. 1985 Supp. 9-1111 is hereby amended to read  
0072 as follows: 9-1111. The general business of every bank shall be  
0073 transacted at the place of business specified in its certificate of  
0074 authority, and it shall be unlawful for any bank to establish and  
0075 operate any branch bank, branch office or agency or place of  
0076 business except as hereinafter provided:

0077 (a) Any bank domiciled in this state may have an attached  
0078 auxiliary teller facility located on the premises specified in its  
0079 certificate of authority;

0080 (b) in addition to an attached auxiliary teller facility, any  
0081 bank domiciled in this state may, subject to the requirements and

or a detached auxiliary banking services facility established under the provisions of section 5

New Sec. 5. If prior to the effective date of this act, a bank has failed and attempts to find a purchaser for the assets and liabilities of such failed bank were not successful, a detached auxiliary banking services facility as provided in K.S.A. 9-1111, and amendments thereto, may be established in the town of the failed bank, if the requirements of subsections (a) through (c) of section 2 are satisfied. A bank establishing a detached auxiliary banking services facility under the provisions of this section shall comply with the provisions of section 3.

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6  
7.

1/31/86 S. F. I. I  
Attachment I

H

Werts

# SENATE BILL No. 432

By Senator Arasmith

1-13

0018 AN ACT relating to banks and banking; enacting the community  
0019 resources security act; amending K.S.A. 1985 Supp. 9-1111  
0020 and repealing the existing section.

0021 *Be it enacted by the Legislature of the State of Kansas:*

0022 New Section 1. As used in this act:

0023 (a) "Bank" means any bank the deposits of which are insured  
0024 by the federal deposit insurance corporation or its successor.

0025 (b) "Bidding bank" means a bank submitting bids to the  
0026 receiver for the assets and liabilities of a failed bank. A bidding  
0027 bank must be a bank domiciled in the state of Kansas, ~~and shall~~  
0028 ~~not include a bank which is directly or indirectly owned or~~  
0029 ~~controlled by a bank holding company, as defined in K.S.A. 1985~~  
0030 ~~Supp. 9-519, and amendments thereto, which owns or controls~~  
0031 ~~three or more banks domiciled in the state of Kansas.~~

0032 (c) "Home county" means the county in which the failed  
0033 bank has its principal place of business located.

0034 (d) "Failed bank" means a bank declared insolvent and  
0035 closed by the state bank commissioner, in the case of a bank  
0036 organized under the laws of this state, or the comptroller of the  
0037 currency, in the case of a national banking association.

0038 New Sec. 2. When a bank is declared ~~failed~~ but attempts by  
0039 the receiver to find a purchaser for the assets and liabilities of the  
0040 failed bank to be rechartered ~~are not successful~~, such assets and  
0041 liabilities may be purchased ~~and operated~~ as a detached auxiliary  
0042 banking services facility as provided for in K.S.A. 9-1111, and  
0043 amendments thereto, subject to the following requirements:

0044 (a) The failed bank is the only bank located in a town;

\*

INSOLVENT  
AS A NEW BANK  
BY A BIDDING BANK

OR TENNESSEE

1/31/86 S. FI+I  
Attachment II

0045 (b) the failed bank is located in a town, which is either  
0046 incorporated or unincorporated, having a population of less than  
0047 750 persons based on the most recent federal census; and

0048 (c) the bidding bank must come from the home county or an  
0049 immediate contiguous county to the home county of the failed  
0050 bank, except that if the home county and contiguous counties  
0051 together, do not have more than 10 banks, the bidding bank may  
0052 come from the counties contiguous to counties touching the  
0053 home county.

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0055 failed bank acquired under the provisions of section 2, as a  
0056 detached auxiliary banking services facility for a period of at  
0057 least five years, before the bidding bank can sell or otherwise  
0058 dispose of such detached auxiliary banking services facility,  
0059 except that ~~if the bidding bank sells or disposes of the detached~~  
0060 auxiliary banking services facility for the purpose of establishing  
0061 a new bank charter at such location.

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0063 section 2 shall not count against the bidding bank's aggregate  
0064 number of detached auxiliary banking services facilities under  
0065 the provisions of K.S.A. 9-1111, and amendments thereto, ~~but no~~  
0066 bidding bank shall acquire and operate more than two detached  
0067 auxiliary banking services facilities, if such facilities are ac-  
0068 quired under the provisions of this act.

0069 New Sec. 5. The provisions of sections 1 through 4, shall  
0070 expire on July 1, 1991.

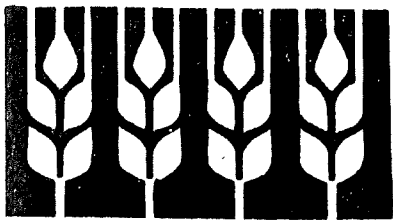
0071 Sec. 6. K.S.A. 1985 Supp. 9-1111 is hereby amended to read  
0072 as follows: 9-1111. The general business of every bank shall be  
0073 transacted at the place of business specified in its certificate of  
0074 authority, and it shall be unlawful for any bank to establish and  
0075 operate any branch bank, branch office or agency or place of  
0076 business except as hereinafter provided:

0077 (a) Any bank domiciled in this state may have an attached  
0078 auxiliary teller facility located on the premises specified in its  
0079 certificate of authority;

0080 (b) in addition to an attached auxiliary teller facility, any  
0081 bank domiciled in this state may, subject to the requirements and

MAY

KANSAS ASSOCIATION  
OF WHEAT GROWERS



Senate Committee on Financial Institutions and Insurance  
Senator Neil Arasmith, Chairman

Senate Bill 432 - Community Resources Security Act

Submitted January 29, 1986

The Kansas Association of Wheat Growers has been on record for many years, in opposition to multi-bank holding companies, and branch banking. The stated concern in both cases is that the home town bank is the backbone of agricultural credit, and should be preserved. The local banker is in a unique position to know about, and react to local conditions that a loan officer, or bank president in another part of the state would not be aware of. Due to that unique position, we believe that the local banker is best suited to serve the needs of the average farmer or small businessman.

The argument was made last year, by proponents of multi-bank holding companies, that more money would be made available to local farmers if large bank holding companies in major cities were allowed to buy other banks, and expand their operations. They also argued that if a small town bank became insolvent, that a larger pool of buyers would be available under multi-banking, so that the community would not lose banking services. So far, neither has proved to be true. In the one bank towns where a local buyer could not be found, multi-bank holding companies did not come in and provide a buyer. So far, multi-banking has not made any more money available for agriculture loans either.

This year, the affiliated banks are saying that they need branch banking on a statewide basis, in order to make sure small towns, predominantly in Western Kansas, are able to retain banking services. Last year, they testified that they didn't need branch banking. They said multi-bank holding companies would provide this local banking security.

Last year, the proponents of multi-bank holding companies argued that the issue was a "banking issue," while we on the opposition held, and still hold that it was a "people issue." Our premise was, and still is, that the people in a given community have a right to exercise control over their own destiny, and therefore, a right to be protected from the desire of those who control large amounts of money to include them in their power base.

This year, proponents of branch banking, the same people who promoted multi-bank holding companies last year, are calling the issue a "people issue." On this point, we agree: This is a "people issue." We are not only dealing with the issue of whether or not a one bank town will continue to have banking services, but whether or not it will be controlled by people who are close to the local situation, and aware of local conditions, or by someone from another part of the state where things are quite different.

We believe Senate Bill 432 provides adequate protection for the local community, whether it is in Western Kansas, or the eastern part of the state. If this committee, in its wisdom, feels that towns with two banks deserve similar protection, when the bank which does not fail is unable to take on the business of the failed bank, we could support such an amendment. We strongly oppose any effort to expand this concept to include statewide branch banking.

A handwritten signature in cursive script, appearing to read "Howard W. Lee".

1/31/86 S. FI+I  
Attachment III