

Approved March 25, 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 March 24, 1986 in room 529-S of the Capitol.

All members were present except:

Sen. Burke - Excused

Committee staff present:

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

Conferees appearing before the committee:

Ron Todd, Kansas Insurance Department  
Stan Lind, Kansas Association of Financial Services  
Dick Brewster, AMOCO Corporation  
Rita D'Agostino, State Banking Department

The minutes of March 21 were approved.

The hearing on HB 2798 dealing with examination fees for insurance agents' licenses began with the testimony of Ron Todd of the Kansas Insurance Department. He said the current statute has an examination fee of \$10. The bill would eliminate this and replace it with a fee set by rules and regulations of the Commissioner. This flexibility is needed because of much testing going on at present exploring multi-state testing or by electronic data. If this were to become a reality, the fees would go up, but it is promoted by people who will pay the fee. The other change is newly added wording on line 78 which says that the examination fee or certification fee shall not be returned for any reason.

The chairman asked why "license" was changed to "certification" on line 38. Mr. Todd explained that it is an editorial change that should have been made long ago.

Sen. Reilly asked if currently all testing is done by the department and if it would like to stop giving the tests. Mr. Todd said that the department does still do all the testing, but preparation of tests is done by the Merit Company which prepares a lot of national tests. Mr. Todd said it is probable that the department will stop giving the tests if it can do it by data processing instead which will cause the cost to go up to perhaps \$40. In response to Sen. Werts question as to if all types of tests have the same costs to the agency, Mr. Todd said they are basically the same. The chairman added that the time involved in administering the tests is the same, and Mr. Todd noted that the statutory maximum would be a "reasonable fee." Sen. Karr felt "reasonable" is not clear enough and was in agreement with the chairman of possibly putting in a \$25 maximum fee and letting the rules and regulations establish it. This concluded the hearing on HB 2798.

Attention was turned to HB 3018 providing for an origination fee under the UCCC. Stan Lind, Kansas Association of Financial Services, testified in support of the bill. Mr. Lind said the fee is needed for the expense incurred for placing loans on lenders' books. When the UCCC was adopted in 1973, there was no thought of charging an origination fee. Since that time, there have been changes in business life. When the rates were high, the adjustable rate mortgages served the purpose of encouraging lenders; but now with lower interest rates, the public is demanding fixed rate mortgages. The problem is that lenders as a whole do not like fixed rate mortgages because of the risk they do not want to assume. With the advent of second mortgages, there is no risk of volatility of interest rates, and the profit is in the origination fee. The lender does not want to absorb the cost so the end result is they won't give the borrower a second mortgage. House Bill 3018 would allow an exception to the rules. The purpose of the bill is to limit origination fees on adjustable rate second mortgages on real estate to 3% and to authorize a 3% origination fee on fixed rate second mortgages on real estate. He informed the committee that the House passed the bill with no opposition and with a 109 to 8 vote.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE,  
room 529-S, Statehouse, at 9:00 a.m. ~~pm~~ on March 24, 1986.

Dick Brewster of AMOCO Corp. had indicated his intent to testify in opposition to HB 3018 due to the House floor amendment adding a new Section 2. He said many AMOCO independent dealers offer a discount for cash, and his concern was that this amendment would interfere with this policy which has had a great deal of public acceptance. However, he had been advised by staff that his section would not do this. The chairman noted that the key word used is "surcharge" in Section 2, not "discount" which is why AMOCO is not affected by the bill. This concluded the hearing on HB 3018.

Next to be heard was HB 2838 dealing with the examination of banks after appointment of a receiver. Rita D'Agostino, State Banking Department, testified in support of the bill. (See Attachment I.) After a few brief questions regarding the unneeded state examination of a FDIC receivership, the hearing was concluded.

The chairman called for committee action on HB 3018. Sen. Strick made a motion to recommend HB 3018 favorable for passage. Sen. Reilly seconded, and the motion carried.

The chairman asked Sen. Werts if he wished to address the establishment of fees entirely by rules and regulations as mentioned in committee discussion of HB 2798. Sen. Werts made a conceptual motion to set the fee at a maximum of \$25 with the actual fee set by the rules and regulations and to remove "reasonable" from the bill. Sen. Reilly seconded, and the motion carried.

Sen. Werts made a motion to recommend HB 2798 as amended favorable for passage. Sen. Gordon seconded, and the motion carried.

With regard to HB 2838, Sen. Werts made a motion to recommend it favorable for passage. Sen. Gannon seconded, and the motion carried.

The meeting was adjourned.

SENATE COMMITTEE

ON

FINANCIAL INSTITUTIONS AND INSURANCE

OBSERVERS  
(Please print)

DATE	NAME	ADDRESS	REPRESENTING
3-24-86	Marvin Umholtz	Topeka	KCUL
"	Stanley L. Lind	KCKs.	K AFC
"	Chip Wheelen	Topeka	KIBA
"	E.R. Brewster	Topeka	AMOCO COOP.
"	Lee WRIGHT	Mission	FARMERS INS. GROUP
"	Ron Todd	Topeka	Ins. Dept.
"	Rita D'Agostino	Topeka	KS Dept of Banking

TESTIMONY OF: Rita M. D'Agostino, General Counsel  
Kansas Banking Department

PRESENTED TO: Senate Committee on Financial Institutions and Insurance

DATE: March 24, 1986

House Bill No. 2838 amends K.S.A. 9-1912 and 9-2007, repeals the existing sections and repeals 9-1913.

1. K.S.A. 9-1912 requires the Commissioner to examine on a six (6) month basis every bank in the hands of a receiver, including the Federal Deposit Insurance Corporation ("F.D.I.C.").

In all instances to date, the F.D.I.C. has accepted and acted as receiver in all Kansas bank failures. The appointment is approved by the County District Court, an initial accounting of the assets and liabilities of the receivership is made to the Court, and a final accounting to the Court is made by the receiver at the termination of the receivership.

Pursuant to K.S.A. 9-1701, this department may accept examination reports from the F.D.I.C. In this regard and considering the professional skills of the F.D.I.C. and their accountability to the District Court, we find no basis of need supporting the expense incurred by this department performing supervisory examinations of the receiver. Consequently, we request favorable consideration of the proposed amendment excluding the F.D.I.C. from the provisions of subsection (a).

2. K.S.A. 9-2007 pertains to crimes and punishment. This statute presently contains similar language requiring six (6) month examinations of an insolvent bank in the hands of a receiver and establishes a penalty for non-compliance. The proposed amendment deletes the examination language, makes specific reference to K.S.A. 9-1912 subsection (a), and maintains the penalty provision.
3. K.S.A. 9-1913 requires the receiver of any bank to make reports to the Commissioner in the same manner as is required of other banks including publication. The referenced report is known as a "call report" which is a detailed listing of the bank's assets, liabilities and equity accounts. The purpose of the report is to enhance both regulatory and private monitoring of the bank's condition. Such a requirement pertaining to a failed bank serves no determinable need; hence, we request favorable consideration to the proposed amendment to repeal.

S. FII, 3/24/86  
Attachment I