

Approved March 4, 1987
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 3, 1987 in room 529-S of the Capitol.

All members were present except:

Sen. Gannon - Excused

Committee staff present:

Bill Wolff, Legislative Research
Bill Edds, Revisor of Statutes

Conferees appearing before the committee: Stan Lind, Kansas Association of Financial Services

The minutes of February 26 were approved.

Stan Lind, Kansas Association of Financial Services, testified in support of SB 275 which he had requested the committee introduce. The chairman called the committee's attention to the balloon of the bill which Mr. Lind had distributed at the hearing for the request of the bill noting that it was easier to understand than the bill. (See February 11 minutes, Attachment I.) Mr. Lind gave some background information regarding the bill. Since the 1920s consumer finance companies have issued investment certificates which are notes of unsecured indebtedness. In 1960 the Kansas Investment Act was enacted to regulate the issuance of these certificates to insure the solvency of agencies issuing them. One of the provisions places limitations on the investment of money to insure solvency of the companies. Consequently, these companies cannot loan a greater sum than ten percent of their net worth except on real estate loans where it is fifteen percent on not more than eighty-five percent of the appraised value. The only thing this bill asks for is to permit an exception of the fifteen percent limitation. Mr. Lind said the justification for this request for exception is that the original limitation was placed with the thought that these companies would hold the certificates in their own portfolio. However, with the advent of the secondary market, these companies are almost acting as a broker, and there is no risk. With regard to the long length of the bill, Mr. Lind said it would be easier to work with and understand if it were broken down into free standing subsections as was done. The main thrust of the bill is on page three of the balloon where the limitations are spelled out.

The chairman asked why an agreement to enter into a secondary market is a safeguard. Mr. Lind answered that the companies are not obligated to repurchase if in default, the federal associations would be responsible. Staff offered a brief explanation of the secondary market.

Sen. Werts had questions as to "agencies" of the U.S. Government as used in the bill noting that there are instrumentalities of the federal government that are not agents and don't have the full backing of the federal government. Mr. Lind said he could understand Sen. Werts's concern but that "agencies" in the bill refer to those listed on page three of the balloon.

Sen. Karr had questions regarding "undivided profits" as used in the bill. Mr. Lind said it is to implement the language to insure it is talking about net worth. Further discussion followed regarding unimpaired profits, surplus, and undivided profits. Staff drew attention to page two, first paragraph, dealing with the present utilized concept of undivided profits. The chairman noted that undivided profits in Section 2 is singular, but in other places, it is plural. Staff determined that this is nothing about which to be concerned.

Sen. Werts made a motion to report SB 275 favorable for passage, Sen. Burke seconded, and the motion carried.

The chairman said that the committee would be dealing with some "clean up" bills at the meeting on Thursday, March 5.

The meeting was adjourned.

SENATE COMMITTEE

ON

FINANCIAL INSTITUTIONS AND INSURANCE

OBSERVERS
(Please print)

DATE	NAME	ADDRESS	REPRESENTING
3-3-87	Lynn (Mrs) Galot	Topeka	KLSI
"	Judith A. Stanger	"	CCC
"	John Spurgeon	"	Budget Div