Approved April 9, 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 April 8, 1987 in room 529-S of the Capitol.

All members were present except:

Committee staff present:

Bill Wolff, Legislative Research
Myrta Anderson, Legislative Research
Bill Edds, Revisor of Statutes

Conferees appearing before the committee:

Bud Grant, Kansas Chamber of Commerce and Industry
Jim Holt, Kansas Credit Union League
Jim Maag, Kansas Bankers Association
Lynn Van Aalst, Kansas League of Savings Institutions
Jim Sullins, Kansas Motor Car Dealers Association
Stan Lind, Kansas Association of Financial Services
Terry Humphrey, Kansas Manufacutred Housing Institute

The minutes of April 1 were approved.

The hearing on SB 415, which would amend the UCCC concerning finance charges, began with the chairman telling the committee that there is another bill in committee which was not heard with similar things in it. He had suggested to Bud Grant of the Kansas Chamber of Commerce and Industry to get this bill dealing with interest rates only introduced through the Ways and Means Committee. Bud Grant was first to testify in support of SB 415. (See Attachment I.)

With reference to page four of Mr. Grant's testimony, the chairman asked for an explanation of no finance charge in the last month. Mr. Grant said that the 50¢ finance charge is not added for the twelfth month. The chairman asked further if the same provisions of this bill apply to open end charge accounts, and Mr. Grand said they do.

Sen. Gannon asked for examples of small retailers who have their own credit card system. Mr. Grant gave Ed Marling's as an example and said there are many others who have this system for customer convenience. Sen. Gannon asked why a retailer would want its own system. Mr. Grant said it allows the customer to charge in that store if he does not have a bank card, otherwise he would have to pay cash. Also, some retailers would rather control their own credit. The chairman added that there would be a better chance for customers coming back to their store--it allows closer contact with these individuals. Sen. Gannon questioned Mr. Grant further as to the loss of the alternative rate as of July if SB 415 is not passed. He asked Mr. Grant if he would have objections to extending the sunset, and Mr. Grant had none.

Jim Holt, Kansas Credit Union League, testified next in support of SB 415. (See Attachment II.) He suggested amendments; one on line 194 to change 18% to 21% and another for the deletion of the sunset provision to allow the tried and true 21% to be permanent and eliminate the need for the legislature to deal with it every two years. Sen. Gannon said that he has no problem in looking at it every two years. Mr. Holt said he has no objection then to the sunset being left in.

Jim Maag, Kansas Bankers Association, followed with testimony in support of SB 415. (See Attachment III.)

Lynn Van Aalst, Kansas League of Savings Institutions, gave further testimony in support of SB 415. (See Attachment IV.)

Testimony in support continued with the testimony of Jim Sullins of Kansas Motor Car Dealers Association. He said he would submit written testimony later. He said available credit rates are necessary for dealers to provide services to their customers. If we see the return of high interest rates of the early 80's, it will adversely affect the sale of new cars, and dealers will have to close their doors which is a detriment to the ecomony of the state. Currently, rates are stable, but we must not be complacent and stand by and wait until the next round of inflation comes.

Sen. Strick said he disagrees with Mr. Sullins. With the low rates being offered by the manufacturers, this doesn't concern the dealers. The chairman and Mr. Sullins noted that the lower rates have only existed for two years. Furthermore, the rates of manufacturers are artificial rates. They involve dealer participation, and ultimately the consumer pays for it.

Stan Lind, Kansas Association of Financial Services, testified in support for two reasons: (1) it provides a realistic and permanent rate for sales and (2) it gives a permanent 30 day notice provision. But the bill does not provide a 21% alternate rate for installment loans, and he suggested that it be amended to include this. With the assistance of charts he had prepared, (See Attachment V.), Mr. Lind explained that surrounding states have permanent rates and that, as a whole, finance companies in Kansas have not prospered the last few years when compared to the national average. He feels that because of the volitility of the prime rate, no one knows what is going to happen, and, thus, the 21% ceiling is needed. He pointed out to the committee that Section 3, Subsection (2) is not about bank credit cards but about licensed lenders' cards as bank credit card rates are nationally set. He concluded that there has been no evidence of abuse of rates by licensed lenders; adjoining UCCC states have a permanent 21% ceiling; banks have this, but finance companies don't; and retailers have other means. Therefore, he asked for support of the amendment of the bill in that regard.

Final testimony in support of SB 415 was given by Terry Humphrey, Kansas Manufactured Housing Institute. She stated her support for the testimony given and feels that the 21% alternate rate is reasonable.

There being no further time, the hearing on SB 415 was concluded.

The chairman announced that there will be a meeting tomorrow, and the meeting was adjourned.

SENATE COMMITTEE

ON

FINANCIAL INSTITUTIONS AND INSURANCE

OBSERVERS
(Please print)

DATE	NAME	ADDRESS	REPRESENTING
4/8	Stan Lind	K.C.Ks.	Ks. Assn. of Fin. Services
4/8	Bud Grant	Topeka	KCCI
4/8	Jim Maag	"	KBA
4/8	Chris L Lemon	Topeka	Commerce Bank
4/8	Hugh Flannegan	"	Commerce Bank
"	Terry Humphrey	Topeka	KMHI
"	Jim Sullivan	Topeka	Ks. Motor Car Dealers Assn.
"	Lynn VanWalst	Topeka	KLSI
✓	Jim Holt	Topeka	KCUL
✓	Joel Wright	Topeka	KCUL

LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry

500 First National Tower One Townsite Plaza Topeka, KS 66603-3460 (913) 357-6321

A consolidation of the Kansas State Chamber of Commerce, Associated Industries of Kansas, Kansas Retail Council

SB 415 April, 1987

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the

Senate Committee on

Financial Institutions and Insurance

by

Bud Grant
Vice President

Mr. Chairman, members of the committee. My name is Bud Grant and I am here today representing the Kansas Retail Council, a major division of the Kansas Chamber of Commerce and Industry. I appreciate the opportunity of appearing before the committee today to discuss with you SB 415.

The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.

KCCI is comprised of more than 3,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 55% of KCCI's members having less than 25 employees, and 86% having less than 100 employees. KCCI receives no government funding.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

Attachment I
Senate F I & I - 4/8/87

Over the past several months we have all heard and read much about the fact that credit card rates are perceived by many to be "too high" and that legislative and/or congressional action should be taken to lower them. I welcome this opportunity to review with you a number of important points about the cost of retail credit which is extended by retailers, as well as about revenue generated by retailer's credit plans, which causes us to disagree that these rates are too high.

Those who suggest that retailer's rates should be lowered do not do so in order to punish the retailer, but in the hopes that it would benefit the consumer. However, such a move would in fact have the opposite effect. As a matter of basic economics, experience has shown that price controls stifle competition, hurt small business (which are the backbone of the Kansas economy), and, when they result in requiring a service to be offered at a loss, they ultimately hurt the consumer. In the area of credit in particular, numerous studies (including one completed in 1986 by the federal reserve board) have shown that when a legislature puts a lid on finance charge rates consumers can adversely be effected.

An obvious reaction to such a lid set too low would be to tighten credit standards for new card applications. Retailers extend more credit to lower income families, i.e., retail credit cards are 2.5 times as prevalent as a bank card in the lower income segments of the U.S. population, and much more prevalent in other segments as well. Therefore, reduced availability most affects families who may be forced to seek more expensive types of credit.

Another obvious result of an overly restrictive lid would be an increase in the cost of goods. Merchants would be forced to recoup losses incurred in extending credit by passing these costs to all consumers. This misallocation of costs is unfair to cash buyers, who are forced to subsidize those who use credit. The fairest system of pricing for all consumers is to allow retailers to charge credit customers the full cost of the credit services, thereby keeping the cash price of goods as "pure" as possible.

Still another side effect has been shown to be the imposition of other charges and/or lost benefits. When retailers are forced to lower rates to unprofitable levels they may at the same time be forced to increase their income by eliminating or shortening the grace period, which is the free period consumers are given to pay their bills in full and avoid all finance charges. This is a benefit that many consumers have come to take for granted, but some retail card issuers could decide that they cannot afford to continue to offer credit without charging for it. Also, retailers could be forced to increase the required minimum payment or impose late charges, per transaction charges, over-the-limit charges, application processing charges, and so on, to replace lost finance charge revenue.

Finally, rate ceilings have in many cases forced some small retailers to abandon their credit card plans entirely. This tends to concentrate the credit card marketplace in the hands of fewer companies, reducing consumers choices and, in the long run, hurting consumers.

When examining the issue of credit rates it is quickly noted that the prime rate is much lower than it was a few years ago, with many asking why haven't retailers lowered their rates accordingly?

Fluctuations in the prime rate, or other measures of the cost of funds, are not an accurate barometer of retailers credit costs. While the cost of funds may have decreased, other costs, representing almost 40% of the expense of offering retail credit, have not. The following chart reviews whats taken place in some of these cost areas since passage of the uniform consumer credit code in 1973.

	1973	1987	% Increase
Postage	$ .10	$ .22	120%
Social Security	13,200 772	43,800 3,131	231%
CPI (1967)	148	385	153%
Prime Rate	10.8	7.5	-29%
Minimum Wage	$2.00	$3.35	67%

Attachment I
Senate F I & I - 4/8/87

A law that ties credit card rates to a single cost component, i.e. the cost of funds, is like the legislature tying housing costs to the price of lumber. It looks to only one component of the many costs involved in delivering this service.

Over the past few months we have seen a movement on the part of several banks to lower their credit card rates. However, keep in mind that the finance charge is the retailers sole source of revenue from credit. Bank cards have sources of income that distinguish them from retail cards. Revenue from several sources can offset losses resulting from lower finance charges. For instance, most banks charge an annual card fee that averages about $20 nationally. This annual fee alone generates as much revenue for the bank as the total finance charge generates in one year for a typical retailers average credit card account.

In addition to annual fees and finance charges, banks collect a fee of two - five percent of the sale from most merchants each time a bank card is used. Moreover, this fee tends to be higher in states where banks have lowered their finance charge rates.

Bank cards also generate more finance charges because the average monthly account balance is about $355 versus an average account balance of about $286 for retail cards. Also, more income is generated, even at a lower rate, because the minimum payment on bank cards is generally smaller than it is on retail cards. And finally there is no grace period on cash advances, which are loan transactions that retailers cannot make and in some cases there is no grace period on purchases charged to bank cards.

I know that some feel that the income generated from a 21% rate on retail credit cards results in a substantial amount of income to the retailer. The income is much less than most people think. For about one-third of all accounts, there is no finance charge revenue at all because these are convenience users who pay their bills in full each month. As to the other accounts, since there is no finance charge in the first or last month, a $100 purchase financed at the nominal rate of 21% typically yields revenue equal to about 18% and for one year costs the consumer only about $10. The total finance charge using this example in a state which authorizes a $.50 minimum monthly charge, as we do in Kansas, amounts to $9.99. (see enclosed illustration) If you took the same example and reduced the rate to 18% the saving for each consumer would be $.11 per month, a total annual difference of $1.35.

Mr. Chairman and members of the committee, merchants' credit cards are still the best credit buy available. The card is free, it offers a grace period and actually gives consumers a free loan if bills are paid in full each month. The card has complete flexibility, provides convenience and security and shopping without cash and is an excellent value which operates best for consumers when its not subjected to artificial governmental restraint. I realize that lowering rate ceilings sounds attractive and represents a politically appealing issue to some legislators but it is unsound policy. Credit is a service, like any other, and the merchants should be permitted to price that service so it will be available to those who want it and so that it will be paid for only by those who use it.

One additional point Mr. Chairman and members of the committee. SB 415 contains one other important item. Section 4(5) makes permanent the 30-day written notice procedure. Without the section, this language will sunset July 1, 1987 and all lenders will be forced to return to the 6-month, 3 notice provisions. I urge your support of SB 415.

AN ILLUSTRATION OF THE TOTAL FINANCE CHARGE REVENUE AND GROSS FINANCE CHARGE YIELD ON A RETAIL REVOLVING ACCOUNT, ASSUMING 21% APR, AVERAGE DAILY BALANCE

Month	Unpaid Balance[1]	Payment[2]	Average Daily Balance[3]	Finance Charge[4]
January	$100.00	$ 0.00	$100.00	$0.00[5]
Feb. 16	90.00	10.00		
Feb. 28	91.67		95.36	1.67
Mar. 16	81.67	10.00		
Mar. 31	83.17		85.70	1.50
Apr. 16	73.17	10.00		
Apr. 30	74.52		77.42	1.35
May 16	64.52	10.00		
May 31	65.73		68.71	1.20
June 16	55.73	10.00		
June 30	56.78		60.12	1.05
July 16	46.78	10.00		
July 31	47.67		51.11	.89
Aug. 16	37.67	10.00		
Aug. 31	38.41		42.08	.74
Sept. 16	28.41	10.00		
Sept. 30	28.99		33.04	.58
Oct. 16	18.99	10.00		
Oct. 31	19.49		23.55	.50[6]
Nov. 16	9.49	10.00		
Nov. 30	9.99		14.24	.50
Dec. 16	0.00	9.99		
Dec. 31	0.00		4.59	0.00[7]
Total		$109.99	$655.91	$9.99

AVERAGE DAILY BALANCE: $54.66[8] GROSS FINANCE CHARGE YIELD: 18.28%[9]

Notes:
1) Purchase of $100 made on January 1 on an account with no previous balance; billing date (cycle closing date) is last day of month.
2) Payment of $10 is made on 16th of each month except for January.
3) Sum of each day's unpaid balance (excluding unpaid finance charges) divided by the number of days in the billing cycle.
4) Monthy rate of 1.75% (21 APR) multiplied by the average daily balance.
5) No finance charge when previous balance is zero.
6) Fifty-cent "minimum" charge applied in lieu of monthly rate.
7) No finance charge when previous statement balance is paid in full.
8) Sum of average daily balance for each month divided by 12.
9) Total finance charge ($9.99) divided by average daily balance ($54.66).

Prepared by: Ray McAlister, Ph.D., College of Business, North Texas State University, P.O. Box 13677 NT STA., Denton, TX 76203

TESTIMONY IN SUPPORT OF

SENATE BILL 415

CONSUMER LOAN RATE MAXIMUM

PRESENTED TO THE

SENATE COMMITTEE ON

FINANCIAL INSTITUTIONS AND INSURANCE

by JIM HOLT, LEGISLATIVE CONSULTANT

KANSAS CREDIT UNION LEAGUE

APRIL 7, 1987

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE:

BACKGROUND: It would be nice indeed if every time the legislature met, the current market interest rates were several points below the maximum rate allowed on consumer loans. Then it could lower the maximum and in fact tell constituents that the legislature had reduced the cap on consumer loan rates. While this scenario would help each individual legislator maintain a positive consumer protection image, it would be an irresponsible act and claim.

Every legislator is painfully conscious that he or she has very little control on the rate his or her constituents are charged on consumer loans. That rate is not even mostly under control of the lending institutions with whom your constituents deal. The truth is consumer loan rates are a function of the cost of funds to lenders. This rate in turn is set by a variety of factors which are beyond the control of any Kansas lenders. Included in these factors are the inflation rate, the cost of petroleum, the amount of surplus funds in the economy, and other factors to which lenders only respond.

THE CREDIT UNION EXPERIENCE. Attached to this testimony as Exhibit 1, is a chart that tracks the experience of several credit unions from the late 70's through last year. If you will look carefully at the figures you will see that the rate credit unions paid member-savers and the rate charged member-borrowers closely follows their own cost of funds.

We believe the inescapable conclusion of this type review is that credit unions are responsible extenders of credit to their members and charge no more than they must to pay the saver an equitable return and meet the expenses and reserve requirements consistent with good management. With this in mind we humbly suggest to you that any cap established by the legislature simply serves as a point at which state chartered credit unions are forced to stop lending to their members. Worse than this, is the fact that such a point may be reached at a time when the legislature would be willing to increase the ceiling to avoid cutting off credit, but is not in session and can't respond.

Added to this problem is the fact that federally chartered credit unions are not subject to the interest rate maximums of the Kansas statute but to those of the federal credit union act. Currently that rate is set by statute at 15%. The National Credit Union Board, however, has the authority to authorize a higher rate if it determines higher rates are necessary for the safety and soundness of individual credit unions (12 USC 1757(5)(A)(vi)(I)).

This higher rate may be permitted for 18 months at a time and was just recently reduced from 21% to 18%. While this may seem to support a lowering of the Kansas statutory rate, it also demonstrates the volatility of interest rates. Should the picture change in the next month, the NCUA Board could respond by increasing the rate, an action not available to this legislature. Additionally, the Board can allow any federally insured credit union (even state chartered) to charge the rate allowed any other lender in the state if it exceeds that authorized by the federal act without pre-empting other limitations imposed by the state. This authority, known as the most favored lender doctrine, as I understand it means that since licensed lenders in the state are allowed to loan up to 36% on the first $600, federally insured credit unions could charge up to that rate without the attendant limitation of "up to $600".

CONCLUSION. In the end, the inescapable truth, while it may be frustrating, is that our political leaders have very little control over the rates consumers pay for loans. They can control the point at which lenders must cut off loan availability. Credit unions have their member's best interest at heart and carefully avoid charging any but the lowest possible rates for loans. Passage of this bill with the suggested amendments would help set the interest rate maximum at a level that would allow credit to continue being extended to a time tested, reasonably acceptable level.

I will be glad to attempt to answer any questions.

Attachment II
Senate F I & I - 4/8/87

Exhibit I

*Average Kansas Credit Union Loan Rate/Cost of Money Experience

	(2) Cost of Funds		Fed. Funds Rate	(1) Auto Loan Rates	
	External	Internal		New	Used
79	12.86	6.21	11.19	12.88	13.89
80	15.50	7.50	13.36	14.38	14.82
81	17.20	9.20	16.38	16.95	17.70
82	14.25	8.70	12.26	14.46	16.63
83	10.33	7.60	9.07	12.57	14.12
84	11.32	8.10	10.23	13.10	14.73
85	9.50	7.60	8.10	12.53	14.29
86	7.75	6.60	7.92	10.56	12.20

1 = Year end rates

2 = Average for year

* = Data from 5 Sample Credit Unions

The KANSAS BANKERS ASSOCIATION
A Full Service Banking Association

April 7, 1987

TO: Senate Committee on Financial Institutions and Insurance

FROM: Jim Maag, Director of Research
Kansas Bankers Association

RE: SB 415

Mr. Chairman and members of the Committee:

We appreciate this opportunity to appear before the Committee and discuss the provisions of SB 415 which amends several sections of the Kansas Uniform Consumer Credit Code. The 1982 Legislature established under the Code an alternative rate ceiling of 21% for installment and revolving credit sales as well as consumer loans. SB 415 would make permanent that existing alternative rate ceiling for installment and revolving credit sales only.

Section 3 of SB 415 amends that part of the Code relating to consumer loans (K.S.A. 16a-2-401) and is the section to which I would like to direct my comments. As veteran members of the Committee who have worked with the Code are aware, this section allows lenders to contract for a finance charge using the "blended rate" method (36% for amounts from $0 to $600; 21% for amounts from $601 to $2,000, and 14.45% for amounts in excess of $2,000) or 21% on the unpaid balance of the amount financed. The alternative rate allowed in 16a-2-401(9) is used in practically all consumer loan transactions in excess of $4,000 and those loans, of course, constitute the great bulk of consumer lending done by banks.

The 21% alternative rate ceiling has now been in effect for five years and the history of consumer lending in that period shows what we have contended for some time---that consumer loan rates are set by competition and not by rate ceilings. Consumer loan rates in practically all instances have been well below the 21% ceiling in Kansas banks during this three-year period. Enclosed are rate charts from newspapers showing what consumer loan rates are in the Wichita, Topeka and Kansas City areas.

The question logically follows that if market rates have been the case why is a 21% ceiling rather than some lower percentage necessary? Recent legislative history in this area would indicate that setting a ceiling too low in a volatile national economy can have detrimental results.

In 1981 we appeared before this committee requesting a 21% alternative rate to replace the existing 18% rate, but at the time (March, 1981) the prime rate had dropped slightly below 18% and it was decided that an 18% ceiling for consumer loans was adequate although, as everyone is aware, prime rates constitute the lowest possible rates for the best commercial customers and are always several

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Eighth and Jackson • Topeka, Kansas 66612 • (913) 232-3444

Attachment III
Senate F I & I - 4/8/87

points below consumer lending rates. However, soon after the Legislature adjourned in 1981, as the accompanying charts show, interest rates on a national and international basis increased dramatically and for most of the remaining months of that year even the prime rate remained above 18%.

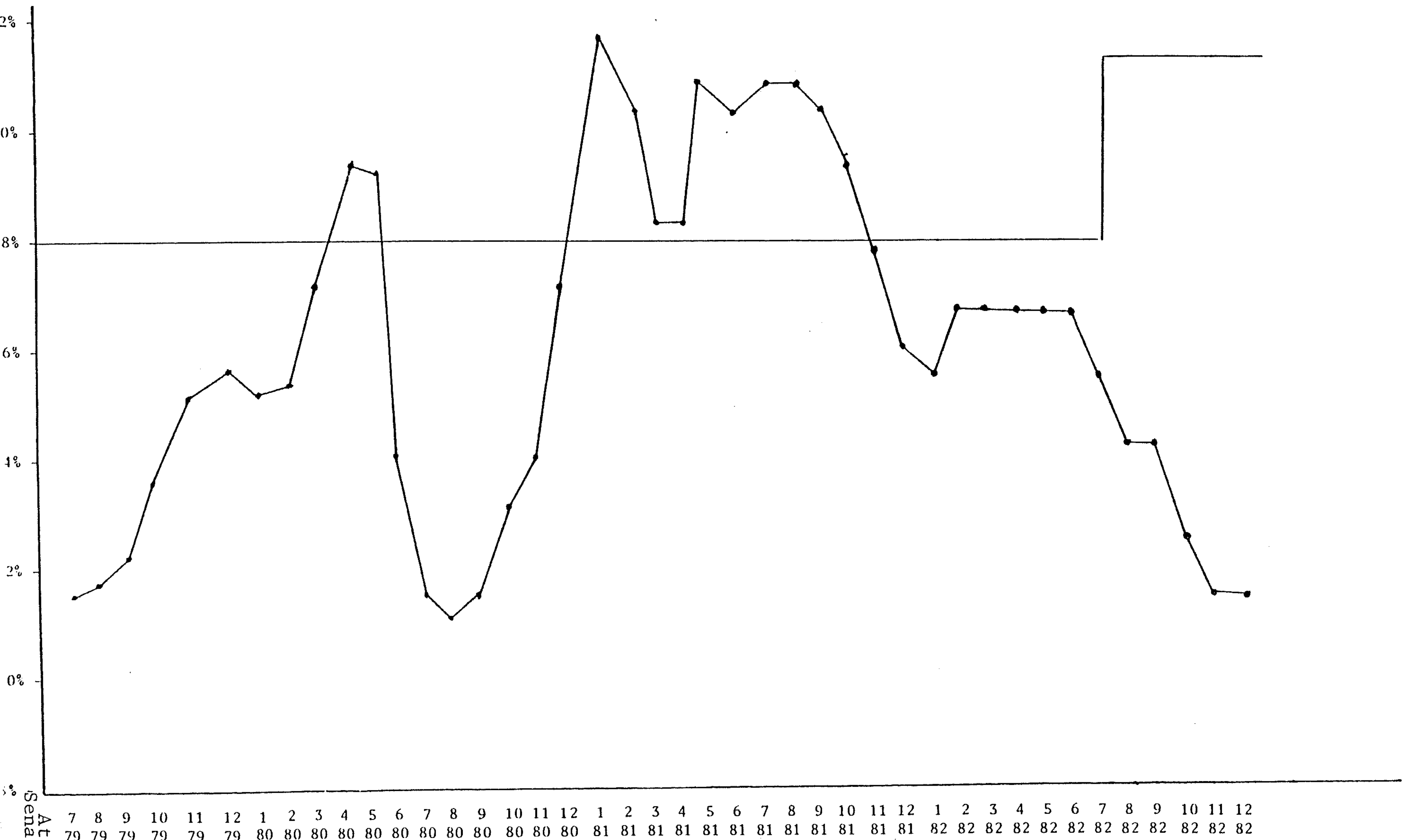
The practical effect of keeping the 18% ceiling on consumer loans throughout 1981 was to sharply restrict the availability of consumer credit. Statistics from the office of the Consumer Credit Commissioner show a drop in the number of consumer loans of $5,000 or less of nearly 50% from 1979 through 1981. This simply meant that thousands of Kansans were not able to obtain consumer credit through traditional sources and were either forced to forego consumer purchases or turn to other less regulated sources of credit where they most assuredly paid extremely high interest rates.

Currently interest rates are well below the 21% ceiling and, hopefully, they will remain at these low levels. However, the threat of inflation is ever-present and any significant inflation spiral would obviously impact consumer credit interest rates. To say such rapid inflation cannot occur is to totally ignore the history of the 1970's and early 1980's. Is it not in the best interests of the Kansas consumer to have an adequate rate ceiling should there be a repeat of the 1980-81 inflationary cycle?

Perhaps the question which needs to be answered is: At what ceiling rate does the Legislature believe there will be no restriction on the availability of needed consumer credit? If the Kansas Legislature could control the cost of money within the state's border or if there were assurances that action by our federal government and governments throughout the world would not create an inflationary environment, then a lower alternative rate ceiling might be justified. However, we cannot expect any such assurances and, therefore, we believe it is in the best interests of the Kansas consumer and the Kansas economy for the Legislature to set an alternative rate which allows sufficient flexibility to insure that legitimate consumer credit needs will be met.

We also strongly support the amendments to K.S.A. 16a-3-204 which would provide for 30-day notices on any change in the terms of an open-end credit account. The present requirements are cumbersome and expensive and do not serve either the creditor or the consumer well.

Thank you, Mr. Chairman and members of the Committee, for the opportunity to discuss this important issue with you and we strongly urge that you recommend the passage of SB 415.



NEW YORK PRIME RATE

Attachment III
Senate F I & I
4/8/87

Borrowing rates

Banks	Prime	Auto terms:[1]	Personal terms:[2]	Home equity terms:[3]
Bank IV Wichita	8.00	10.25	13.00	11.38
Boulevard State Bank	8.75	10.50	16.00	N/A
First Nat'l Bank in Wichita	8.00	8.80	18.00	11.25
Kansas State Bank & Trust	8.00	9.00	15.00	N/A
Union National Bank	8.00	9.50	13.00	11.00

[1]$10,000 loan, 48-month 20% down fixed rate
[2]$5,000 loan, 36-month unsecured fixed rate
[3]$25,000 15-yr. secured variable Int. rate

N/A - Not Available

Rates effective as of Jan. 13

Local Borrowing Rates

INSTITUTION	PRIME	AUTO TERMS $10,000 Loan 48/Mo 20% down fixed rate	PERSONAL LOANS $5,000 loan 36 month unsecured fixed rate	HOME EQUITY $25,000 loan 15 year secured variable rate
Fidelity State Bank & Trust	8.5%	10.5%	NA	9.9%[1]
Southwest Bank and Trust	7.5%	10.5%	NA	9.5%
Peoples Heritage Federal S&L	NA	10.4%[2] 10.9%[3]	NA	10.4%[2] 10.9%[3]
Shawnee Federal Savings	NA	NA4	NA	10.25-11.25%[5]

All rates subject to change without notice.

1. Fixed; 2. 4-Year; 3. 5-Year; 4. Operations temporarily suspended; 5. Depending on loan value

Consumer loans

A SURVEY OF S&Ls AND BANKS AS OF FEB. 18

Institution	48-Month Auto loans	Home Rate	Improvement Type	Loans Notes
American Savings	10.50 F	10.50	F	2nd, 2.5pt., 15yr.
Bank IV	9.50 F	None		
Blue Valley	10.75 F	12.50	F	H, 5yr.
Capitol Federal	10.50 F	12.00	F	2nd, 10yr.
	9.00 V			
Colonial	10.50 F	12.00	F	2nd,$2.5K. 10yr.
Commerce Bank	10.50 F	12.50	F	H, 2pt.
	9.32 V	10.82	V	H, 2pt.
Farm & Home	None	10.00	F	2nd, C
		9.00	V	2nd
Household Bank	10.50 F	12.25	F	2nd, 10yr.
		10.75	F	2nd, 36mo.
UNITED STATES	10.69	12.71		
KANSAS CITY	10.30	12.89		
NEW YORK	10.48	12.21		
CHICAGO	10.61	13.05		
CALIFORNIA	10.73	11.19		
BOSTON	10.97	14.25		
DETROIT	10.44	14.08		
CINCINNATI	10.65	13.48		

All rates are subject to change without notice. If you wish to have your institution listed, please call (312) 670-2440. F—Fixed interest rate. V—Variable interest rate. N—New car loan. E—Equity lines of credit. H—Home improvement loan. C—Customer. NC—Non-customer. P—Preferred customer. NP—Non-preferred customer.

Attachmemt III
Senate F I & I --
4/8/87

Statutory Rates in the States Which Have Adopted the UCCC as Adjusted by the Cost of Living Index Provision

State	Instalment Loans (Closed-end)	Alternate Instal. Loan Rate	Revolving Loan Rate	Instalment Sales Rates (Closed-end)	Alternate Instal. Sales Rate	Revolving Sales Rate (Open-end)
Colorado	36% to $630 21% to $2100 15% to $25000	21%	21%	36% to $630 21% to $2100 15% to $25000	21%	21%
Idaho	No Limit	No Limit	No Limit	No Limit	No Limit	No Limit
Indiana	36% to $780 21% to $2600 15% to $60000	21 %	Same as loan rates	36% to $780 21% to $2100 15% to $60000	21%	21%
Kansas	36% to $600 21% to $2000 14.45% to $25000	Permanent: 18% Temporary: 21%	Same as loan rates	21% to $300 18% to $1000 14.45% to $25000	Permanent: None Temporary: 21%	Same as Instal. Sales Rates
Oklahoma	30% to $690 21% to $2300 15% to $45000 plus points Special rate to $460	21%	Same as instal. loan rates	30% to $690 21% to $2300 15% to $45000	21%	21%
S. C.	No Limit	No Limit	No Limit	No Limit	No Limit	No Limit
Utah	No Limit	No Limit	No Limit	No Limit	No Limit	No Limit
Wyoming*	36% to $1000 21% to $25000 no limit over $25000	N/A**	Same as loan rates	36% to $1000 21% to $25000 No limit over $25000	N/A**	Same as sales rates

*Wyoming does not provide for a Cost of Living Index Adjustment.
** Not Applicable

Adjoining States of Missouri & Nebraska (Colorado & Oklahoma Shown Above)

Missouri	26.6% to $1200 20.04% over $1200 with no cap	N/A**	22% to $1000 10% over 1000	$15 per $100 to $750 $12 per $100 to $1000 $10 per $100 to $1000 No limit over $7500	N/A**	20.04%
Nebraska	24% to $1000 21% over $1000 with no cap	N/A**	same as loan rates	18%	N/A**	21% to $5 18% over $500

Attachment III
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KLSI Kansas League of Savings Institutions

LYNN G. VAN AALST, Vice President • Suite 612 • 700 Kansas Ave. • Topeka, KS 66603 • 913/232-8215

April 8, 1987

TO: SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE

FROM: LYNN VAN AALST, KANSAS LEAGUE OF SAVINGS INSTITUTIONS

RE: S.B. 415 (UCCC)

The Kansas League of Savings Institutions appreciates the opportunity to appear before the Senate Financial Institutions and Insurance Committee regarding S.B. 415, which amends the Kansas Uniform Commercial Code.

We believe that interest rates are determined by the marketplace, and are not artificially increased by the imposition of a rate ceiling. Current consumer lending rates and practices bear this out. Interest rate ceilings do determine at what point credit becomes unavailable. History also bears this out, as was evident in 1981 when credit in Kansas was severely restricted. Although current rates are well below the ceiling and inflation is not increasing dramatically, history has demonstrated that this can change rapidly, with a detrimental effect on Kansas borrowers.

Sections 3 and 4 of S.B. 415 amend sections of the UCCC that pertain to savings and loan institutions, i.e. the alternate interest rate ceiling and notification provisions in open end credit.

Section 3 establishes an "alternate" interest rate which may be used by lenders as opposed to the UCCC "blended rate." This section makes permanent language regarding the applicability of this rate to supervised lenders. The language is currently contained in a provision of the UCCC that is scheduled to sunset on July 1, 1987, absent legislative action. Savings and loan associations, most banks and credit unions are supervised lenders, not licensed lenders.

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KLSI

When Subsection 9 was added to K.S.A. 16a-2-401, the language clarified the applicability of the alternate rate to all supervised lenders. As written, Subsection 2 is unclear in this regard. While it may be argued that case law substantiates the right of any supervised lender to charge the same rates as a licensed lender under the most favored nation doctrine, clarifying statutory language is certainly preferable. It was evidently legislative intent to make the alternate rate available to all supervised lenders, since the language is included in Subsection 9; however, if this is allowed to sunset without legislative action, that alternate rate may be lost to supervised lenders. While S.B. 415 lowers the alternate rate allowable under this provision from the current 21% to 18%, it does retain the desired language.

While rates are now low enough that even the blended rate limits may not come into play, any time rates rise into that range the absence of an allowable alternate rate would become a factor in lending practices. If no action is taken and the current alternate rate provision is allowed to sunset, supervised lenders may have to revert back to the blended rates. The result of this would be to reduce the availability of consumer credit, particularly but not exclusively to marginal borrowers. Certain loans will become less attractive simply because of the complicated rate structure.

The League also believes that the notification provisions in Section 4 of S.B. 415 would allow providers of open end credit to be more responsive to the marketplace than would be the case if these provisions are allowed to sunset. The six month notification requirement is so cumbersome that it would not benefit anyone.

The needs of Kansas consumers must be considered in detering under what conditions credit will be available in current and future environments. We strongly recommend that the Committee recommend S.B. 415 favorably for passage.

Lynn Van Aalst
Vice President

LVA:bw

Attachment IV
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Statutory Rates in the States Which Have Adopted the UCCC as Adjusted by the Cost of Living Index Provision

State	Instalment Loans (Closed-end)	Alternate Instal. Loan Rate	Revolving Loan Rate	Instalment Sales Rates (Closed-end)	Alternate Instal. Sales Rate	Revolving Sales Rate (Open-end)
Colorado	36% to $630 21% to $2100 15% to $25000	21%	21%	36% to $630 21% to $2100 15% to $25000	21%	21%
Idaho	No Limit	No Limit	No Limit	No Limit	No Limit	No Limit
Indiana	36% to $780 21% to $2600 15% to $60000	21%	Same as loan rates	36% to $780 21% to $2100 15% to $60000	21%	21%
Kansas	36% to $600 21% to $2000 14.45% to $25000	Permanent: 18% Temporary: 21%	Same as loan rates	21% to $300 18% to $1000 14.45% to $25000	Permanent: None Temporary: 21%	Same as Instal. Sales Rates
Oklahoma	30% to $690 21% to $2300 15% to $45000 plus points Special rate to $460	21%	Same as instal. loan rates	30% to $690 21% to $2300 15% to $45000	21%	21%
S. C.	No Limit	No Limit	No Limit	No Limit	No Limit	No Limit
Utah	No Limit	No Limit	No Limit	No Limit	No Limit	No Limit
Wyoming*	36% to $1000 21% to $25000 no limit over $25000	N/A**	Same as loan rates	36% to $1000 21% to $25000 No limit over $25000	N/A**	Same as sales rates

*Wyoming does not provide for a Cost of Living Index Adjustment.
** Not Applicable

Adjoining States of Missouri & Nebraska (Colorado & Oklahoma Shown Above)

State	Instalment Loans (Closed-end)	Alternate Instal. Loan Rate	Revolving Loan Rate	Instalment Sales Rates (Closed-end)	Alternate Instal. Sales Rate	Revolving Sales Rate (Open-end)
Missouri	26.6% to $1200 20.04% over $1200 with no cap	N/A**	22% to $1000 10% over 1000	$15 per $100 to $750 $12 per $100 to $1000 $10 per $100 to $1000 No limit over $7500	N/A**	20.04%
Nebraska	24% to $1000 21% over $1000 with no cap	N/A**	same as loan rates	18%	N/A**	21% to $500 18% over $500

Attachment V
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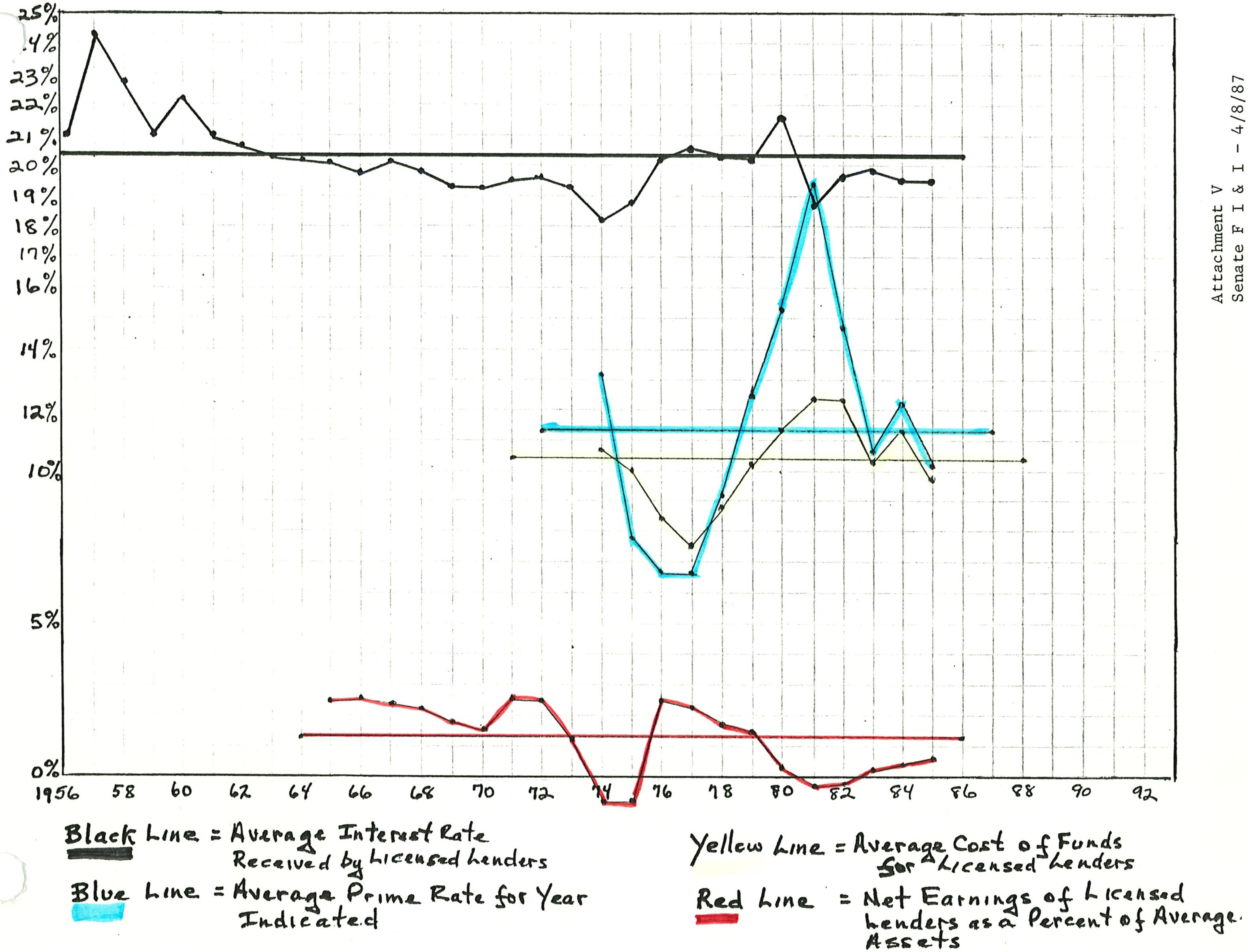

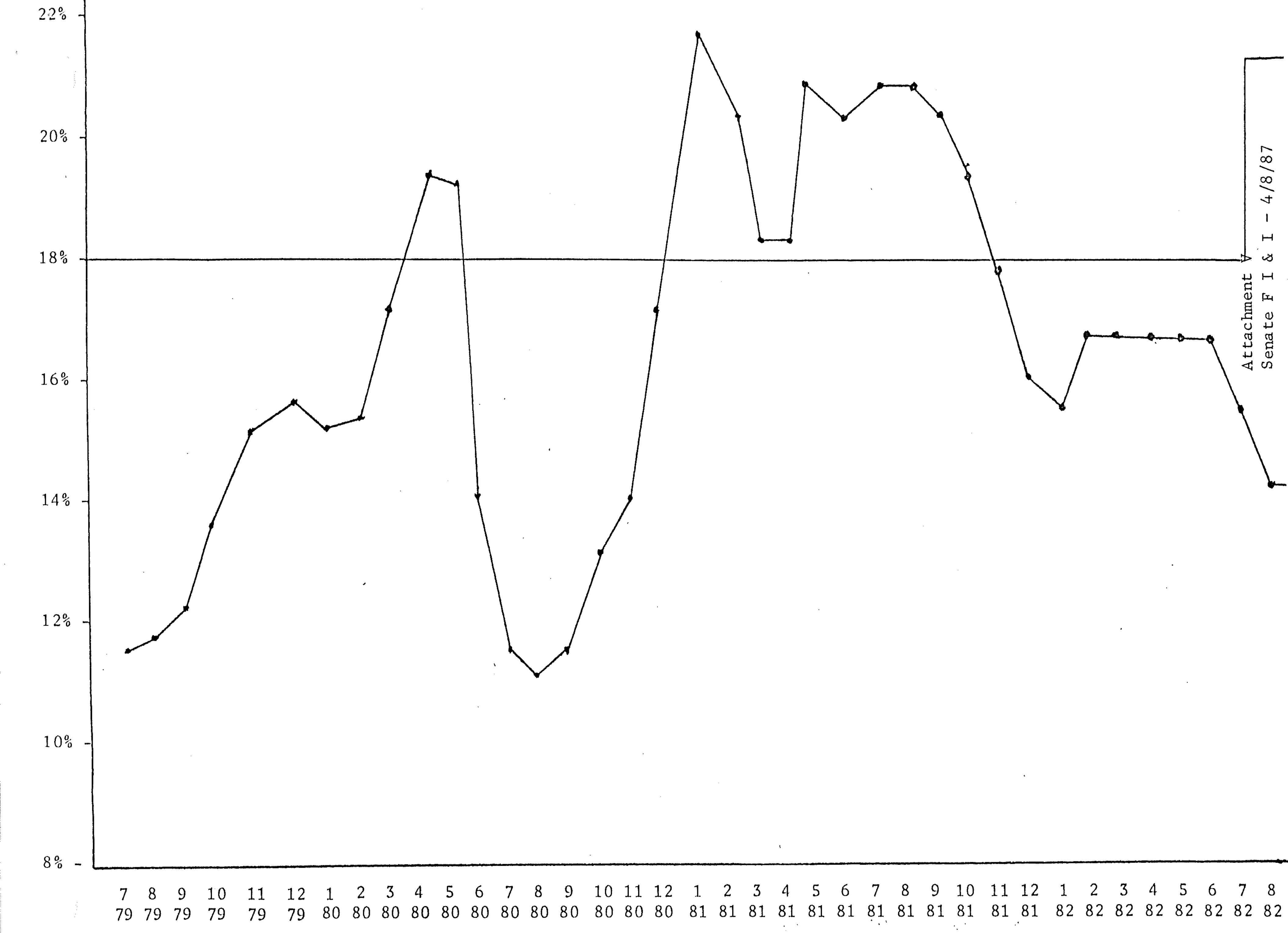

NEW YORK PRIME RATE

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