

Approved January 26, 1988
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. ~~pm~~ on January 20, 1988 in room 529-S of the Capitol.

All members were present except:

Senators Burke and Warren - Excused

Committee staff present:

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

Conferees appearing before the committee:

Jim Turner, Kansas League of Savings Institutions
Jim Maag, Kansas Bankers Association

The chairman welcomed the committee members back and announced that there will be meetings next week for new bills coming. He asked staff to begin a review of the bills left in committee from last session. They are as follows:

- SB 158 - This deals with lender credit cards and is a new law that runs parallel to UCCC regulations.
- SB 207 - This amends 9-1101 dealing with the banking code and listing all the investments banks can make. New Section (ee) deals with reinsurance investments.
- SB 210 - This is a new insurance law creating the Insurance Review Board.
- SB 387 - This is a new statute concerning the committee on surety bonds.

- HB 2090 - This deals with insurers notifying insureds when attempting to cancel Medicare supplement policies.
- HB 2128 - On page three it allows an increase in the amount of life insurance on a consumer credit debt. The chairman noted that is is similar to SB 133 which was passed by the Senate last session.
- HB 2164 - Amends the UCCC relating to adjustments of the dollar amounts of consumer loans and open end credit transactions to which certain interest rates will apply.
- HB 2167 - This was introduced by the Joint Committee on Administrative Rules and Regulations to eliminate a number of insurance statutes that are obsolete or repetitive.
- HB 2256 - This amends the UCC regarding the termination of security interest statements.
- HB 2319 - This creates a new law relating to money orders. There has been considerable controversy about this bill.
- HB 2355 - This creates a new law concerning disclosure in the selling of home loans.
- HB 2406 - This amends the UCCC and is a usuary rate bill relating to open end and closed end interest.
- HB 2503 - This creates a new statute that prohibits casualty insurance companies from including defense costs and litigation expenses in the policy.

Jim Turner of the Kansas League of Savings Institutions followed with a request for the introduction of a bill. (See Attachment I.)

Sen. Karr made a motion to introduce the bill and refer it back to committee, Sen. Werts seconded, and the motion carried.

The chairman called on Jim Maag of the Kansas Bankers Association to present his request for the introduction of three bills. (See Attachments II through IV.) The first one amends the banking code as a clean up, the second one corrects a problem created by a bill passed last session which needs to comply with federal rules and regulations which were passed, and the third one is an amendment to the UCCC as a result of the efforts of several credit groups.

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

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 20, 1988

Sen. Werts made a motion to introduce the bills and have them referred back to committee, Sen. Harder seconded, and the motion carried.

The chairman called the committee's attention to HB 2355. He informed them that there is no desire for the passage of it any longer.

Sen. Werts made motion to report HB 2355 adversely, Sen. Reilly seconded, and the motion carried.

The meeting was adjourned.

SENATE COMMITTEE

ON

FINANCIAL INSTITUTIONS AND INSURANCE

OBSERVERS
(Please print)

DATE	NAME	ADDRESS	REPRESENTING
1/20	BOB CORANT	TOPEKA	KCC
"	FRANCES KASTNER	TOPEKA	Ks Food Dealers Assn.
"	ALLEN S. MUI	TOPEKA	White Eagle Bank
"	Chuck Stones	Topeka	Ks Bankers Assoc
"	Jimmy	"	" " "
"	Tom Robison	Jeff City mo	Beneficial
"	JACK ROBERTS	TOPEKA	BC-BS
"	Jim TURNER	TOPEKA	KLSI
"	JOE A. MORRIS	TOPEKA	Ks. LEAGUE OF SAVINGS ASSN.
"	Stan Lind	KCK	Ks. Assn. of Fin. Services
"	Ron Todd	Topeka	Ins. Dept.
	LARRY MAGILL	TOPEKA	INDEP. INS. AGENTS
	Jim Oliver	Topeka	Prof. Judges
	Glenn Cogswell	Topeka	ALLIANCE Alliance of Am. Ins.

KLSI Kansas
League of
Savings
Institutions

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January 15, 1988

TO: SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE
FROM: JIM TURNER, KANSAS LEAGUE OF SAVINGS INSTITUTIONS
RE: BILL INTRODUCTION

The Kansas League of Savings Institutions respectfully requests that the attached proposed bill be introduced by the Senate Financial Institutions and Insurance Committee and referred back to the Committee for hearings.

This proposal deals with the payment of commissions in connection with the sale of guarantee stock of state-chartered associations.

James R. Turner

JRT:bw

Encl.

AN ACT relating to savings and loan associations; guarantee stock; fractional shares, when; issuance and sale of stock, limitations.

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

Section 1: Guarantee shares stock, which shall be considered a secondary reserve out of which losses shall be paid after all other available reserves have been exhausted, may be issued, subject to the approval of the commissioner, upon compliance with conditions set forth in K.S.A. 17-5421 to 17-5427 and amendments thereto. Such ~~shares hereafter described as~~ guarantee stock shall be personal property in the hands of the owners thereof, and shall be of one class only, with a par value not in excess of one hundred dollars (\$100) per share: Provided, That in the event of reduction of capital, fractional shares may be issued. All shareholders in such class shall be treated mutually alike in all respects. In the event of liquidation or dissolution of an association which has issued guarantee stock, such guarantee stock may not be withdrawn until after all liabilities of the association have been satisfied in full, including the withdrawal value of all other types or classes of shares. No guarantee stock shall be issued for a consideration other than cash or for a price less than the par value thereof, except that stock dividends may be declared out of otherwise unallocated surplus, unallocated reserves, or undivided profits and with the consent of the commissioner, and guarantee stock may be issued for a consideration other than cash in connection with mergers, consolidations or transfers. ~~No association shall pay any commission or other compensation for, or on account of, any subscription to, or sale of, its guarantee stock.~~

Section 2: This act shall take effect and be in force from and after its publication in the statute book.

Sec. 1. K.S.A. 9-903 is hereby amended to read as follows: 9-903. The shares of stock of any bank shall be deemed personal property, and shall be transferred on the books of the bank in such manner as the bylaws thereof may direct; but no transfer of stock shall be valid against the issuing bank so long as the registered owner thereof shall be liable as principal debtor, surety or otherwise to the bank ~~for any debt on a matured obligation~~, nor shall any dividend, interest or profit be paid on such stock so long as the registered owner thereof is indebted to the bank on a matured obligation, .

...

Sec. 2. K.S.A. 9-903 is hereby repealed.

Sec. 3. This act shall take effect and be in force from and after its publication in the statute book.

Section 1. K.S.A. 1987 Supp. 9-901b is hereby amended to read as follows: 9-901b. (a) The state bank commissioner, with the prior approval of the state banking board, may establish minimum capital requirements for a bank which vary from capital requirements otherwise prescribed in K.S.A. 9-901a, and amendments thereto, ~~but which result in not less than a 4% capital to assets ratio,~~ whenever the commissioner determines that economic conditions necessitate such action to provide greater operational flexibility to well-managed, economically sound banks. A bank wanting to establish a minimum capital requirement under this section shall: ~~(1) Be an agricultural or oil and gas bank or both; and (2)~~

submit to the bank commissioner a written plan for restoring capital to the minimums required by ~~the state banking board K.S.A. 9-901a, and amendments thereto,~~ in appropriate incremental amounts by no later than January 1, ~~1993~~ 1995. The establishment of capital requirements may be subject to such other conditions as the commissioner and board deem advisable. Such other conditions, including capital requirements, shall be established by special order which shall not be subject to the provisions of article 4 of chapter 77 of the Kansas Statutes Annotated.

~~(b) As used in this section, "agricultural" or "oil and gas bank" means a bank whose agricultural and oil and gas loans in the aggregate are equal to, or greater than, 25% of the bank's total loans and leases, net of unearned income.~~

~~(c)~~ (b) The provisions of this section shall expire on January 1, ~~1993~~ 1995.

Sec. 2. K.S.A. 1987 Supp. 9-901b is hereby repealed.

Sec. 3. This act shall take effect and be in force from and after its publication in the Kansas Register.

Section 1. K.S.A. 1987 Supp. 16a-2-201 is hereby amended to read as follows: 16a-2-201. (1) With respect to a consumer credit sale, other than a sale pursuant to open end credit, a seller may contract for and receive a finance charge not exceeding that permitted by this section.

(2) The finance charge, calculated according to the actuarial method, may not exceed the equivalent of the following:

The total of:

(a) Twenty-one percent per year on that part of the unpaid balance of the amount financed which is ~~\$300~~ \$1,000 or less;

~~(b) eighteen percent per year on that part of the unpaid balance of the amount financed which is more than \$300 but does not exceed \$1,000; and~~

~~(c)~~ (b) fourteen and forty-five hundredths percent per year on that part of the unpaid balance of the amount financed which is more than \$1,000.

(3) This section does not limit . . .

(7) As an alternative to the rates set forth in subsection (2), ~~during the period beginning on the effective date of this act and ending July 1, 1987,~~ the seller may contract for and receive a finance charge not exceeding ~~21%~~ 18% per year on the unpaid balances of the amount financed.

Sec. 2. K.S.A. 1987 Supp. 16a-2-401 is hereby amended to read as follows: 16a-2-401. (1) With respect to a consumer loan, . . .

~~(10) Notwithstanding subsections (1), (2) and (3), a lender may contract for and receive a nonrefundable origination fee not to exceed 3% of the amount financed on any loan secured by a real estate mortgage.~~

Sec. 3. K.S.A. 1987 Supp. 16a-2-501 is hereby amended to read as follows: 16a-2-501. (1) In addition to the finance charge permitted by the parts of this article on maximum finance charges for consumer credit sales and consumer loans (parts 2 and 4), a creditor may contract for and receive the following additional charges in connection with a consumer credit transaction:

(a) Official fees and taxes;

(b) Charges for insurance as described in subsection (2);

Attachment IV

(c) Annual charges, payable in advance, for the privilege of using a lender credit card which entitles the user to purchase goods or services from at least 100 persons not related to the issuer of the lender credit card, under an arrangement pursuant to which the debts resulting from the purchases are payable to the issuer;

(d) Charges for other benefits, including insurance, conferred on the consumer, if the benefits are of value to the consumer and if the charges are reasonable in relation to the benefits, are of a type which is not for credit, and are excluded as permissible additional charges from the finance charge by rules and regulations adopted by the administrator.

(2) In addition to the finance charge permitted by the parts of this article on maximum finance charges for consumer loans, a creditor may contract for and receive, in connection with a consumer loan, a nonrefundable origination fee in an amount not to exceed 3% of the amount financed.

~~(2)~~ (3) An additional charge may be made for insurance written in connection with the transaction, ...

Sec. 4. K.S.A. 16a-2-502 is hereby amended to read as follows:

16a-2-502. (1) ~~With respect to a precomputed consumer credit transaction, the~~ The parties to a consumer credit transaction may contract for a delinquency charge on any installment not paid in full within ten (10) days after its scheduled or deferred due date in an amount not exceeding the greater of

(a) an amount, not exceeding five percent (5%) of the unpaid amount of the installment, ~~or two dollars and fifty cents (\$2.50), whichever is less, or~~

(b) the deferral charge (section 16a-2-503) that would be permitted to defer the unpaid amount of the installment for the period that it is delinquent. . . .

Sec. 5. K.S.A. 1987 Supp. 16a-2-201, 16a-2-401 and 16a-2-501 and K.S.A. 16a-2-502 are hereby repealed.

Sec. 6. This act shall take effect and be in force from and after its publication in the statute book.