

Approved: January 30, 1997  
Date

MINUTES OF THE HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS.

The meeting was called to order by Chairperson Les Donovan at 3:30 p.m. on January 28, 1997 in Room 527-S of the Capitol.

All members were present except: Representative Bradley  
Representative Campbell

Committee staff present: Dennis Hodgins, Legislative Research Department  
Bruce Kinzie, Revisor of Statutes  
Maggie Breen, Committee Secretary

Conferees appearing before the committee: Newton Male, Bank Commissioner  
John P. Smith, Administrator, Department of Credit Unions  
Jim Mattes, Chairman, Kansas Coalition of Fee Appraisers

Others attending: See attached list

**Newton Male**, Bank Commissioner, gave an overview of the four agencies that regulate commercial banks in Kansas (Attachment 1). His department regulates and supervises state chartered commercial banks (293), savings and loan associations (1), trust companies (9), mortgage companies (160), bank trust departments (88), and money transmitters (16). With the exception of the mortgage companies and the money transmitters, they are examined, at least once every 18 months, rated on Capital, Assets, Management, Earnings and Liquidity (CAMEL), and given a composite rating from 1 to 5.

**John P. Smith**, Administrator, gave an overview of the Department of Credit Unions (Attachment 2). The Mission of the Department is to provide a regulatory environment in which Kansas chartered credit unions may thrive and prosper without subjecting their members and citizens to undue risk.

**Jim Mattes**, Chairman, Kansas Coalition of Fee Appraisers, requested the introduction of a bill that would amend the State Certified and Licensed Real Property Appraisers Act. (Attachment 3). Representative Humerickhouse moved that the committee introduce this legislation, seconded by Representative Burroughs. The motion carried.

The minutes of the January 21, 1997 Financial Institutions Committee meeting were presented for approval. Representative Dillon moved to approve the minutes as presented, seconded by Representative Gilbert. The motion carried.

The meeting was adjourned at 4:10 p.m.

The next meeting is scheduled for January 30, 1997.

# HOUSE FINANCIAL INSTITUTIONS COMMITTEE GUEST LIST

DATE: January 28, 1997

NAME	REPRESENTING
Judi Stork	OSBC (Office of the
W Newton Male	OSBC State Bank (Comm.)
John P. Smith	KS Dept. of credit unions
Matt Goddard	HCBA
Sue Shelley	New Century Credit Union
Duane Nightingale	" " " "
Joe Lieber	KS Co-op Council
Ausan Schmeiser	KCUA
Michelle Peterson	Peterson Public Affairs
Linda McGill	PMA
JEFF SONNICH	HEARTLAND Comm. BANKERS ASSN.
Janet Tasker	KIOKA
Jim MATTES	Coalition of KANSAS Appraisers
RICHARD E LIVINGSTON	COALITION OF KANSAS APPRAISERS
LARRY HENDERSON	IOA

**BILL GRAVES  
GOVERNOR**

W. Newton Male  
*Bank Commissioner*

Judi M. Stork  
*Deputy Commissioner*

Kevin C. Glendening  
*Assistant Deputy Commissioner*



William D. Grant, Jr.  
*General Counsel*

Ruth E. Glover  
*Administrative Officer*

**OFFICE OF THE  
STATE BANK COMMISSIONER**

## **BANKING STRUCTURE**

### **Office of the Comptroller of the Currency**

Charter, regulate, and examine national banks.

### **Office of the State Bank Commissioner**

Charter, regulate, and examine state chartered banks.

### **Federal Deposit Insurance Corporation**

Insure the deposits in all Kansas banks, both state and national.  
Have the power to examine both state and national banks.  
Routinely examine state banks which are not Federal Reserve members.

### **Federal Reserve Bank**

Regulate and examine state banks which are members of the Federal Reserve System.  
Regulate and examine bank holding companies. (All national banks are required to be members of the Federal Reserve but are not examined by the Federal Reserve.)

*House Financial Institutions*  
*1-28-97*  
*Attachment 1*



## Kansas Department of Credit Unions

400 Kansas Avenue, Suite B  
Topeka, KS 66603  
Phone (913) 296-3021  
FAX (913) 296-6830  
e-mail [kdcu1@sprynet.com](mailto:kdcu1@sprynet.com)

The Kansas Department of Credit Unions (KDCU) is an executive branch agency of Kansas state government which reports directly to the Governor. The KDCU was established in 1968 under K.S.A. 17-2234. Information relating to the Department and credit unions in general may be found in K.S.A. 17-2201 through K.S.A. 17-2267.

The credit union Administrator, in consultation with the Kansas Credit Union Council, administers KDCU's examination and supervision of state-chartered credit unions in Kansas. The Department has a staff of seven financial examiners, one review examiner, a chief financial examiner, one secretary III, one office specialist and the unclassified position of credit union Administrator.

The Mission of the Department is to provide a regulatory environment in which Kansas chartered credit unions may thrive and prosper without subjecting their members and the citizens of Kansas to undue risks.

K.S.A. 17-2206 requires that each credit union shall be examined at least once every eighteen-months. Currently the Department is on a thirteen month examination cycle.

There are 120 natural person credit unions chartered by the State of Kansas. 23 of the 120 credit unions provide services at their primary location and 42 secondary locations. Three Kansas chartered and one federal credit union have cooperated in forming a credit union services organization to operate a shared service center in Topeka.

There are also two corporate credit unions chartered by the State of Kansas, Kansas Corporate Credit Union and U.S. Central Credit Union. Corporate credit unions form a financial network that provides liquidity and investments for natural person credit unions. The network is made up of 38 state or regional corporate credit unions who offer these services to natural person credit unions located in their state or region. Kansas Corporate Credit Union offers these services to natural person credit unions in Kansas. U.S. Central Credit Union, in turn, offers liquidity and investment services to the 38 corporate credit unions and is the world's largest credit union and the largest financial institution with headquarters in Kansas. U.S. Central Credit Union's assets at December 31, 1996 were \$17,975,000,000 with regulatory capital of \$900,000,000.

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*Attachment 2*

KDCU is funded only by fees collected from credit unions. The authority and method for the establishment of fees is found in K.S.A. 17-2206. Gross fee revenue for FY 1997 was \$897,042 with 20% or \$179,408 transferred to the general fund, leaving \$717,634 to be transferred to the credit union fee fund.

All Kansas chartered credit unions are insured through the National Credit Union Share Insurance Fund (NCUSIF) administered by the National Credit Union Administration (NCUA).

Data comparing Kansas chartered credit unions for June 1995 and June 1996 is in the following table.

**COMPARISON DATA FOR KANSAS CHARTERED NATURAL PERSON  
CREDIT UNIONS FOR JUNE 1995 AND JUNE 1996**

<b>ITEM</b>	<b>JUNE 1995</b>	<b>JUNE 1996</b>	<b>PERCENT CHANGE</b>
<b>Total Assets</b>	<b>\$1,562,221,928</b>	<b>\$1,672,723,626</b>	<b>+7.07%</b>
<b>Total Loans</b>	<b>\$1,152,196,464</b>	<b>\$1,135,296,604</b>	<b>-1.47%</b>
<b>Total Shares</b>	<b>\$1,381,891,638</b>	<b>\$1,470,102,708</b>	<b>+6.38%</b>
<b>Total Capital</b>	<b>\$166,630,186</b>	<b>\$186,657,293</b> <b>11.9%</b>	<b>+12.02%</b>
<b>Delinquent Loans/ Total Loans</b>	<b>\$7,967,857</b>	<b>\$8,737,794</b>	<b>+9.66%</b>
<b>Total Number of Members</b>	<b>463,369</b>	<b>468,696</b>	<b>+1.15%</b>

In closing, the status of the credit union industry today is good. Credit union profits remain stable, capital and reserves have increased, problem credit unions are declining, asset growth is normal to above average, and the volunteer boards of director and committees continue to do a commendable job.

# **COALITION OF KANSAS APPRAISERS**

January 28, 1997

To: House Committee on Financial Institutions  
From: James A. Mattes, SRA, Chairman, Coalition of Kansas Appraisers  
Re: Bill Introduction

The Coalition of Kansas Appraisers appreciates the opportunity to appear before the House Committee on Financial Institutions to request introduction of a bill that would amend the State Certified and Licensed Real Property Appraisers Act.

The Coalition of Kansas Appraisers is an organization that is composed of Real Estate Appraisers from across the State of Kansas. These appraisers represent various professional appraisal organizations, and have formed together to provide support to legislation that promotes a higher degree of professionalism and a more secure product for the community.

The Coalition endorses and strongly encourages a change in the existing state law to cure a fundamental and unintended flaw. This flaw is potentially harmful to the consumer, the lender, and the insurer because Kansas currently permits the appraisal of real property in the state of Kansas by unlicensed individuals. This flaw is magnified in Kansas with the home mortgage lending industry because of the exemption financial institutions unwittingly enjoy as the result of a change in the federally mandated de minimus level from the original \$15,000 level up to the current \$250,000 level. Current federally related mortgage loans less than \$250,000 are exempt from the otherwise general requirement that any appraisal of real property be conducted by an appraiser who has met the state of Kansas' real estate educational, experience and testing requirements to become a licensed or certified real estate appraiser.

Our proposal specifies that when real estate appraisals are required in connection with real estate-related financial transactions in the State, those appraisals must be conducted by a licensed or certified appraiser. There would be three narrow exceptions to this requirement. First, financial institutions would be permitted to utilize employees to perform appraisals in connection with transactions where the financial institution intends to hold the resulting loan in its portfolio for the life of the loan. Second, real estate brokers would be exempt to the extent that they perform comparative market analysis for the purpose of listing or selling real estate. Third, licensed attorneys would be exempt to the extent that activities they were undertaking were deemed to be part of the practice of law. We have sought with these exemptions to ensure that our proposal does not inflict any undue hardship or has unintended consequences.

We respectfully request the attached bill be introduced and referred back to the committee for hearings and deliberation.

James A. Mattes, SRA  
Chairman

*House Financial Institutions*  
*1-28-97*  
*Attachment 3*

**A BILL**

**TO AMEND K.S.A 58-ARTICLE 41.**  
**THE STATE CERTIFIED AND LICENSED REAL PROPERTY APPRAISERS ACT**

K.S.A 48-4101-4125 is amended as follows:

1. 58-4102(m) is amended to read as follows:

"Written appraisal" means a written statement used in connection with a real estate-related financial transaction that is independently and impartially prepared by a licensed or certified appraiser setting forth an opinion of defined value of an adequately described property as of a specific date, supported by presentation and analysis of relevant market information."

Explanation: The definition of "written appraisal" has been revised to cover all real estate-related financial transactions, a term that is defined at 58-4102(h).

2. 58-4102 is amended to add the following after subsection (m):

"(n) 'Appraiser' means a person who develops and communicates real estate appraisals and holds a current valid certification or license issued to such person under the provisions of this Act."

Explanation: This amendment would add a new subsection defining the term "appraiser" to include only licensed and certified appraisers. Current law defines only the terms "state certified" and "state licensed" appraisers.

3. 58-4103 is amended to read as follows:

**"Certification or licensure, when required; temporary certification or licensure; penalty for violations.** (a) Except as provided in subsection (b), no person, other than a state certified or licensed appraiser, shall:

(1) Engage in any written appraisal in connection with a real estate-related financial transaction; or

(2) assume or use the title of appraiser or state certified or licensed appraiser or any title, designation or abbreviation likely to create the impression of certification as a real estate appraiser by this state.

(b) The board shall recognize on a temporary basis the certification or license of an appraiser issued by another state in accordance with federal law if:

- transaction;
- (1) the property to be appraised is part of a real estate-related financial
  - (2) the appraiser's business in this state is of a temporary nature; and
  - (3) the appraiser registers with the board, as prescribed by the board.
- (c) Violation of subsection (a) is a class B misdemeanor

(d) An individual who is not a state certified or licensed appraiser may assist in the preparation of an appraisal if: (1) The assistant is under the direct supervision of an individual who is a state licensed or certified appraiser; and (2) the final appraisal document is approved and signed by an individual who is a state certified or licensed appraiser."

Explanation: The law would be changed to require that only certified or licensed appraiser would be permitted to undertake written appraisals in connection with all real estate-related financial transactions. Current law requires licensed or certified appraisers only in connection with federally related transactions. In addition the proposal prohibits anyone other than a licensed or certified appraiser from assuming or using the title "appraiser."

4. 58-4103 is amended by adding the following new paragraph after subsection (d):

"(e) The provisions of 58-4103(a)(1) shall not be applicable to financial institutions engaging in real estate-related financial transactions and otherwise subject to Article 41 of this title when both of the following conditions are met:

- (1) an employee of the financial institutions conducts an appraisal as defined in 58-4102(a), and
- (2) when the loans that are the subjects of such appraisals are not intended to be sold in the secondary market and are intended to be held by the financial institution for the life of the loan;

provided, however, that the financial institution shall be required to obtain an appraisal by a state licensed or certified appraiser as required by Section 4103(a)(1) prior to any disposition of such loan in the secondary market;



provided further that financial institution's employees conducting such appraisals as are permitted by this subsection shall not be otherwise considered to be appraisers under the law unless they are licensed or certified.

Explanation: This would add a new subsection that would permit financial institutions to allow employees who are neither licensed or certified to undertake appraisals in connection with that financial institution's real estate-related financial transactions only when the resulting loans are not intended to be sold in the secondary market and are intended to be held for the life of the loan. Should the financial institution subsequently wish to dispose of the loan in the secondary market, it would be required as a condition of such sale to obtain an appraisal by a licensed or certified appraiser.

5. 58-4103 is amended by adding the following new paragraph after new subsection (e):

"(f) The provisions of 58-4103(a)(1) shall not be applicable to licensed real estate brokers when and only when such brokers are performing comparative market analyses for the purpose of listing or selling real estate."

Explanation: This amendment would permit licensed real estate brokers to perform comparative market analyses for the purpose of listing or selling real estate without being required to be licensed or certified appraisers. Licensed real estate brokers who wish to perform appraisals in connection with mortgage loans would be required to be licensed or certified.

6. 58-4103 is amended by adding the following new paragraph after new subsection (f):

"(g) The provisions of 58-4103(a)(1) shall not be applicable to licensed attorneys to the extent that such attorneys are engaged in the practice of law as otherwise defined in state law."

Explanation: This provision would exempt from licensing and certification requirements attorneys who are licensed to practice law in the state to the extent that their activities are deemed to be in connection with the practice of law.