

Approved: March 18, 1997  
Date

MINUTES OF THE HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS.

The meeting was called to order by Chairperson Ray Cox at 3:30 p.m. on March 12, 1997 in Room 527-S of the Capitol.

All members were present except: Representative Tom Bradley

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

Conferees appearing before the committee: Bud Grant, Kansas Chamber of Commerce and Industry  
Kathy Taylor, Kansas Bankers Association  
Martha Neu Smith, Kansas Manufactured Housing  
Judi Stork, Office of Bank Commissioner

Others attending: See attached list

The chairman opened the hearing on:

**SB 32 - When financing statement must be filed to protect security interest under UCC**

Proponents appearing in favor of **SB 32**:

**Bud Grant**, Vice President and General Manager - Kansas Chamber of Commerce and Industry, spoke on behalf of the Kansas Retail Council in support of **SB 32**. In order to prevent the bankruptcy trustee from taking possession of unpaid merchandise, the Uniform Commercial Code in Kansas requires creditors to file a UCC-1 form on every item of merchandise where the purchase price exceeds \$1,000. The bill raises the threshold to \$3,000. The Retail Council would be even more supportive if the committee chose to eliminate the requirement completely, as 47 other states have done. (Attachment 1)

**Kathy Taylor**, Kansas Bankers Association, proposed an amendment to **SB 32**. The amendment clarifies that to perfect a security interest in a manufactured home or a mobile home, the creditor's lien must be noted on the title. The KBA recently discovered that while Chapter 58 of Kansas law is clear that all liens must be noted on the title of all manufactured or mobile homes, Chapter 84, Article 9 (the Uniform Commercial Code), does not specifically state that this is how to perfect a security interest in such a property. At the suggestion of legislative staff, in order to remove any doubt in the two provisions of the law; she proposed a new subsection (d) to specifically address the manufactured home and mobile home perfection procedure. She asked that the committee consider favorable action on the bill as amended. (Attachment 2)

**Martha Neu Smith**, Executive Director, Kansas Manufactured Housing Association, stated that she supports the amendment to **SB 32** proposed by the KBA and would appreciate it if the committee would support it also. (Attachment 3)

(Dr. Bill Wolff explained that the purpose of the subsection for the amendment was to separate vehicles from mobile homes and manufactured homes.)

There were no opponents to **SB 32**.

The chairman closed the hearing on **SB 32** and opened the hearing on:

**SB 27 - Deregulation of finance charges on consumer credit sales**

Proponents appearing in favor of **SB 27**:

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS, Room 527-S  
Statehouse, at 3:30 p.m. on March 12, 1997.

**Bud Grant**, Vice President and General Manager - Kansas Chamber of Commerce and Industry, appeared on behalf of the Kansas Retail Council. He urges the committee to pass **SB 27** which would deregulate the finance charges on consumer credit sales. It would "level" the credit playing field for all retailers, and also help Kansas compete for credit industry jobs. Current law provided that retailers may apply an interest rate of 21% on a credit balance of \$1,000 and 14.4% on the portion that exceeds \$1,000. All Kansas Retailers used to be covered by the same law. In 1979, the U.S. Supreme Court ruled that the National Bank Act permits a bank to export, into all states in which it does business, the rates applicable in the state in which the bank is located. As a result, National Retailers are establishing their credit banks in deregulated states and branching these rates into Kansas. Smaller retailers are at a disadvantage under current law. (Attachment 4)

There were no opponents to **SB 27**.

The chairman closed the hearing on **SB 27** and opened the hearing on:

**SB 132 - Limitation on loans to limited partner by bank**

Proponents appearing in favor of **SB132**:

**Judi Stork**, Deputy Commissioner - Office of the State Bank Commissioner, testified in support of **SB 132**. It amends the legal lending limit law, K.S.A. 9-1104. Last year there was a major overhaul of this statute and there was one technical problem. On page 4, line 35, there is a need for a one word amendment. The partner's **interest** should have read the partner's **liability** under the partnership will be added for the purpose of determining personal liability. (Attachment 5)

There were no opponents to **SB 132**.

The chairman closed the hearing on **SB132**.

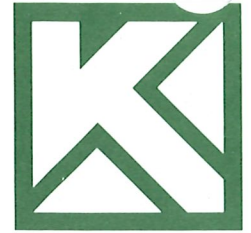
The meeting adjourned at 4:08 p.m.

The next meeting is scheduled for March 13, 1997.



# LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry



835 SW Topeka Blvd. Topeka, Kansas 66612-1671 (913) 357-6321 FAX (913) 357-4732

SB 32

March 12, 1997

## KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the

House Committee on Financial Institutions

by

Bud Grant

Vice President and General Manager

Mr. Chairman and members of the Committee:

My name is Bud Grant and I am here on behalf of the Kansas Retail Council, a division of the Kansas Chamber of Commerce and Industry in support of SB 32.

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 46% of KCCI's members having less than 25 employees, and 77% 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.

The Uniform Commercial Code in Kansas currently requires that in order to prevent the bankruptcy trustee from taking possession of unpaid merchandise, creditors must file a UCC-1 form on every item of merchandise where the purchase price exceeds \$1,000. Prior to 1989, when the current \$1,000 threshold was established, a filing was required on each and every credit sale if the creditor was to perfect their purchase money security interest.

*House Financial Institutions*  
*3-12-97*  
*Attachment 1*

The change presented in SB 32, which would raise the threshold to \$3,000 is appropriate today's world. The fact is, only two states, Virginia and Maine, impose similar requirements. Virginia has a \$1,000 threshold and Maine \$3,000. The filing of the UCC-1 form does inconvenience consumers by causing needless delays waiting for the form to be completed and presented for signature. In addition, the cost of filing the original UCC-1 (\$6), amending it if necessary (UCC-3), and terminating the lien by filing a UCC-11 form must ultimately be passed on to the consumer. The merchant must train personnel on how to complete the form, respond to questions, stock the forms, store and retrieve forms that have been filed, which can result in lessening the quality of service they make every effort to provide.

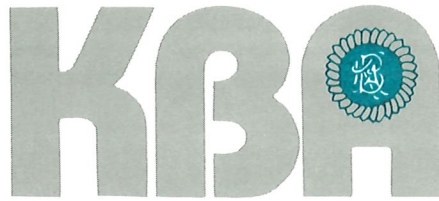
If the merchant chooses not to burden the customer with the inconveniences associated with this form and does not complete it, and the debtor's debt is discharged in bankruptcy, they may not be able to regain possession of the merchandise due to the Trustee's avoidance powers.

The current \$1,000 is now out of touch with today's economic environment. It has not been adjusted for inflation or other changes in the standard of living. A significant number of ordinary household items are subject to seizure by the bankruptcy trustee, e.g., larger screen televisions, camcorders, stereo systems, and refrigerators, if the UCC-1 is not filed.

The proposed amendment would be beneficial to consumers, creditors, and the state. Consumers will not be inconvenienced or incur additional expenses when making purchases of items for household purposes. Creditors will not sustain substantial losses due to bankruptcy trustees taking of unpaid merchandise. The state will not lose revenue because of losses taken by creditors.

At a minimum, Mr. Chairman and members of the Committee, I urge you to adopt the \$3,000 threshold. We would be even more supportive if you choose to eliminate the requirement completely as 47 other states have done.

Thank you Mr. Chairman for the Committee's time and attention.



The KANSAS BANKERS ASSOCIATION  
A Full Service Banking Association

To: House Committee on Financial Institutions

From: Kathy Taylor  
Kansas Bankers Association

Date: March 12, 1997

Re: SB 32 Amendments

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to present an amendment to KSA 84-9-302(3), the section of the Uniform Commercial Code which lists the items of personal property for which a security interest must be "perfected" by a means other than filing a financing statement with the proper office.

For instance, under subsection (c), a security interest in a vehicle must be perfected by noting the creditor's lien on the title.

Our amendment is to clarify that this is also the way to perfect a security interest in a manufactured home or a mobile home.

Manufactured and mobile homes are required to be titled according to a provision of the Manufactured Housing Act (KSA 58-4204). This provision also states that all liens should be recorded on that title.

Unfortunately, the KBA recently discovered that while it is clear that all liens must be noted on the title of all manufactured or mobile homes under Chapter 58 of our laws, Chapter 84, Article 9 (the Uniform Commercial Code), does not specifically state that this is how to perfect a security interest in such property.

We believe that this amendment is necessary to eliminate any doubt between these two provisions of law, that the proper way to perfect a security interest in manufactured homes and mobile homes is by noting the lien on the title.

After our original attempt at drafting such an amendment, legislative staff noted that our proposal did not quite accomplish what we intended. At their suggestion, and in conjunction with the Kansas Manufactured Housing Association, a new amendment has been attached to this testimony. It would be to create a new subsection (d) to specifically address the manufactured home and mobile home perfection procedure.

Please consider favorable action on SB 32 as amended. Thank you.

*House Financial Institutions*  
*3-12-97*  
*Attachment 2*

**SENATE BILL No. 32**

By Committee on Financial Institutions and Insurance

1-15

10 AN ACT concerning filing financing statements of security interests; pur-  
11 chase price of consumer good; amending K.S.A. 84-9-302 and repeal-  
12 ing the existing section.

13

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

15 Section 1. K.S.A. 84-9-302 is hereby amended to read as follows: 84-  
16 9-302. (1) A financing statement must be filed to perfect all security in-  
17 terests except the following:

18 (a) A security interest in collateral in possession of the secured party  
19 under K.S.A. 84-9-305 and amendments thereto;

20 (b) a security interest temporarily perfected in instruments, certifi-  
21 cated securities or documents without delivery under K.S.A. 84-9-304 and  
22 amendments thereto or in proceeds for a ten-day period under K.S.A.  
23 84-9-306 and amendments thereto;

24 (c) a security interest created by an assignment of a beneficial interest  
25 in a trust or a decedent's estate;

26 (d) a purchase money security interest in a consumer good with a  
27 purchase price of ~~\$1,000~~ \$3,000 or less, other than a vehicle in which a  
28 security interest is subject to perfection under subsection (3), but filing  
29 is required to perfect a security interest in a vessel as defined in K.S.A.  
30 82a-802, and amendments thereto, and a fixture filing is required for  
31 priority over conflicting security interests in a fixture as provided in K.S.A.  
32 84-9-313, and amendments thereto;

33 (e) an assignment of accounts which does not alone or in conjunction  
34 with other assignments to the same assignee transfer a significant part of  
35 the outstanding accounts of the assignor;

36 (f) a security interest of a collecting bank (K.S.A. 84-4-208 and  
37 amendments thereto) or arising under the article on sales (see K.S.A. 84-  
38 9-113 and amendments thereto) or covered in subsection (3);

39 (g) an assignment for the benefits of all creditors of the transferor  
40 and subsequent transfers by the assignee thereunder;

41 (h) a security interest in investment property which is perfected with-  
42 out filing under K.S.A. 84-9-115 or 84-9-116.

43 (2) If a secured party assigns a perfected security interest, no filing

2-2

2-3

1 under this article is required in order to continue the perfected status of  
2 the security interest against creditors of and transferees from the original  
3 debtor.

4 (3) A security interest in:

5 (a) Property subject to a statute of the United States which provides  
6 for national registration or filing of such security interests in such prop-  
7 erty; or

8 (b) property subject to a statute of this state which provides for cen-  
9 tral filing of such property; or

10 (c) a vehicle (except a vehicle held as inventory for sale), ~~a manu-  
11 -factured home or a mobile home~~ subject to a statute of this state which  
12 requires indication on a certificate of title or a duplicate thereof of such  
13 security interests in such vehicle.

; or

14 Can be perfected only by presentation, for the purpose of such regis-  
15 tration or such filing or such indication, of the documents appropriate  
16 under any such statute to the public official appropriate under any such  
17 statute and tender of the required fee to or acceptance of the documents  
18 by such public official, or by the mailing or delivery by a dealer or secured  
19 party to the appropriate state agency of a notice of security interest as  
20 prescribed by K.S.A. 8-135 and amendments thereto. Such presentation  
21 and tender or acceptance, or mailing or delivery, shall have the same  
22 effect under this article as filing under this article, and such perfection  
23 shall have the same effect under this article as perfection by filing under  
24 this article.

(d) a manufactured home or a mobile home (except  
a manufactured home or mobile home held as inventory  
for sale), subject to a statute of this state which  
requires indication on a certificate of title or a  
duplicate thereof of such security interest in such  
manufactured home or mobile home;

25 Sec. 2. K.S.A. 84-9-302 is hereby repealed.

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



**TESTIMONY BEFORE  
THE HOUSE COMMITTEE  
ON  
FINANCIAL INSTITUTIONS**

To: Representative Cox, Chairman and  
Members of the Committee

FROM: Martha Neu Smith, Executive Director

DATE: March 12, 1997

RE: Senate Bill 32 Amendment

Mr. Chairman and Members of the Committee, my name is Martha Neu Smith and I am the Executive Director of the Kansas Manufactured Housing Association (KMHA). KMHA is a statewide trade association representing all facets of the manufactured housing industry.

I am here today to ask for your support of the amendment introduced by the Kansas Bankers Association. Over the last several weeks we have worked with the Kansas Bankers Association on what we believe to be an oversight in Kansas statutes regarding perfection of a security interest in a manufactured home or a mobile home. We feel this amendment addresses that oversight.

Thank you for the opportunity to comment and I would appreciate your support of this amendment.

*House Financial Institutions*  
*3-12-97*  
*Attachment 3*

# LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry



835 SW Topeka Blvd. Topeka, Kansas 66612-1671 (913) 357-6321 FAX (913) 357-4732

SB 27

March 12, 1997

## KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the

House Committee on Financial Institutions

by

Bud Grant

Vice President and General Manager

Mr. Chairman and members of the Committee:

My name is Bud Grant and I am here today on behalf of the Kansas Retail Council, a division of the Kansas Chamber of Commerce and Industry.

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 46% of KCCI's members having less than 25 employees, and 77% 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.

One of the most familiar terms heard in the Statehouse is "level the playing field." That's the issue before you today in the form of SB 27. Should it become law, it would "level" the credit playing field for all retailers. In addition, it would help to "level" the credit environment between Kansas and those states with which it competes for credit industry jobs.

*House Financial Institutions*  
*3-12-97*  
*Attachment 4*

Why is the playing field not level for Kansas retailers today? Current law provides that when an open or closed-end credit sale is made by a retailer, retailers may apply an interest rate of 21% on a balance of \$1,000 or less, and 14.4% on the portion that exceeds \$1,000. This rate has been in effect for several years and applied to all retailers offering credit in Kansas. This is no longer the case.

In 1979, the U.S. Supreme Court, in the Marquette National Bank vs. First of Omaha Service Corporation case, ruled that the National Bank Act permits a bank to export into all the states in which it does business, the rates applicable in the state in which the bank is located. As a result, national retailers have established their credit banks in deregulated states and are exporting the rates charged in those states into states such as Kansas which retain their own usury statutes. No longer are retailers governed by the same credit rules. The enactment of SB 27 would once again have all retailers playing out of the same deck of cards.

What can we anticipate would happen to rates if the current law is changed? A 1995 survey in the state of Washington provides evidence of how competitive markets work. With retail credit card ceilings removed in 1992, a 1995 survey documented that 73.5 percent of those retailers reporting had not changed their rate. Similar evidence (although a much smaller sample) was found in Connecticut a year following rate removal where none of the four major retail firms surveyed had changed their rates.

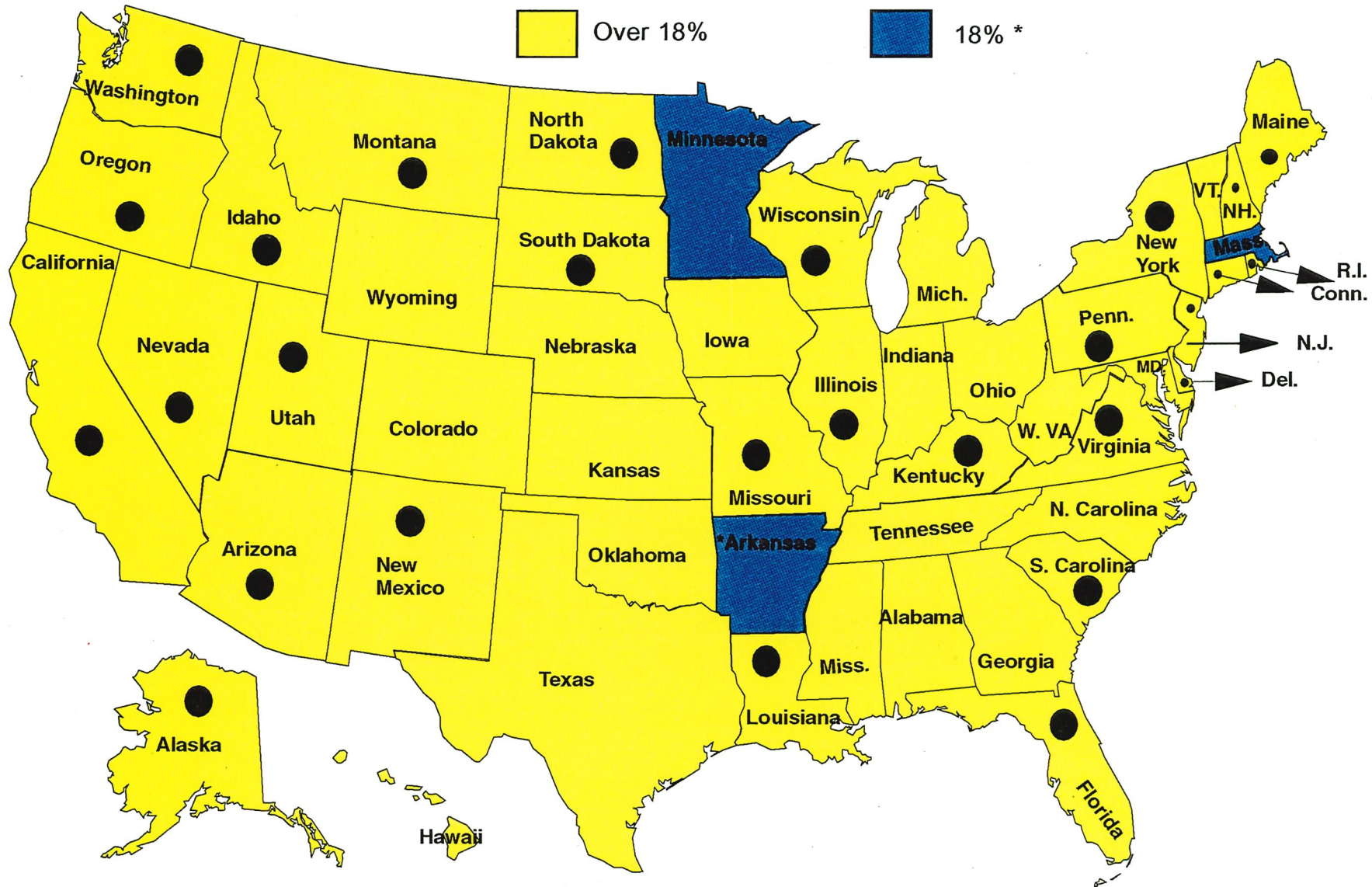
The current two-tiered system should be removed to ensure that Kansas retailers are not placed at a competitive disadvantage to out-of-state companies. Should the economic times of the early 80's return, along with their double-digit prime rate, Kansas retailers would be unable to respond. That would not be the case with the national firms with the ability to export rates into the state.

What about the credit environment in Kansas and does it affect job creation? A McGraw-Hill study, completed in 1993 and released in 1994, named the ten most favorable and ten least

favorable states in which to locate credit card operations. Sadly, Kansas made the 10 least favorable list by ranking 47th of the 50 states. One of the factors included in the measurement was the fact that we continue to retain rate caps. Rather than have the kind of environment that encourages Kansas spending to stay in Kansas, our environment encourages that money be sent to deregulated states. There are currently more than 1,600 jobs directly tied to the retail credit industry in Kansas today, many of which are in Johnson County. If a major retailer should decide to consolidate or expand its credit operations, it will probably not be in the state which ranks 47th out of 50 states. This is particularly critical for Johnson County, when there exists next door an unregulated retail credit environment. We experienced some of the negative impact two years ago when a major credit provider with substantial operations in Kansas, chose to expand in Nevada rather than Kansas. The expansion involved 600 jobs which we did not get.

Since this issue was first considered one year ago, four states, including our neighboring state Missouri, have deregulated, bringing the total to 28. I think it is safe to assume that at least that many will do so again this year. I hope that Kansas will join this majority of states and level the playing field. I urge you to recommend SB 27 to the full Senate for favorable passage.

● OPEN COMPETITIVE RETAIL CREDIT MARKET



\* Has variable rate below 18%

h-f

**A National Comparison Of Retail Credit Card Rate  
Open Competitive Market States**

Alaska	Illinois	New Hampshire	Rhode Island
Arizona	Kentucky	New Jersey	South Carolina
Connecticut	Louisiana	New Mexico	South Dakota
Delaware	Maine	New York	Utah
Florida	Missouri	North Dakota	Virginia
Idaho	Montana	Oregon	Washington
	Nevada	Pennsylvania	Wisconsin

**25% Limit**

Michigan                      Ohio

**24% Limit**

Hawaii                      Maryland                      District of Columbia

**21% Limit**

Colorado	Indiana	Oklahoma	Texas	West Virginia
Georgia	Mississippi	Tennessee	Vermont	Wyoming

**21% on First \$800 of Balance  
(18% Over)**  
North Carolina

**21% on First \$750 of Balance  
(18% Over)**  
Alabama

**21% on First \$1,000 of Balance  
(14.4% Over)**  
Kansas

**21% on First \$500 of Balance  
(18% Over)**  
Nebraska

**19.8% Limit**

Iowa

**18% Limit**

Minnesota                      Massachusetts

**17% or Below**

Arkansas

RETAILER	APR	EXPORTED	
		yes	no
Best Buy	Prime + 14 = 23.15%	x	
Circuit City	20.5 %	x	
Color Tile	21.8 %	x	
Comp USA	Prime + 13.9 = 22.65%	x	
Firestone	21.8 %	x	
Goodyear	21.9 %	x	
Jones Store Co. Limited	21 %		x
Lerners	22.8%	x	
Lane Bryant	22.8%	x	
Macy's	21.6%	x	
Montgomery Ward	22.6%	x	
National Tire	21.6%	x	
Office Depot	Prime + 12.3 = 21.05%	x	
Office Max	21.6	x	
*JC Penney	21 %	x	
Rhodes Furniture	Prime + 13.4 = 22.15%	x	
*Sears Roebuck & Co.	21 %		x
Western Auto	21.9%	x	
Zales	21.6%	x	

\*Note - these companies are either owned or serviced by companies who have a credit card bank and could export fees into Kansas, but are not currently doing so.

Release Date



**FOR IMMEDIATE RELEASE**

Contact

**CONTACT:** Charlotte Rush  
MasterCard International  
(202) 789-5960

Aili Jokela  
Fleishman-Hillard  
(202) 828-8807

**Ten "Most Favorable" and Ten "Least Favorable"  
Credit Card States Ranked by DRI/McGraw-Hill in Study  
Underwritten by MasterCard International**

**News Release**

April 7, 1994, Washington, D.C. -- In a comprehensive evaluation of the employment and regulatory environment of the credit card industry in the 50 states, DRI/McGraw-Hill has named the "Top Ten Most Favorable" and the "Ten Least Favorable" states in which to locate credit card operations in the U.S. Underwritten by MasterCard International, the report, entitled "A Study on the Attractiveness of States to Credit Card Issuing Firms," is based on an "Attractiveness Index" that measures the credit card friendliness of states according to regulations, legal environment, cost of doing business and quality of life. The study is a one-year update of a survey completed in 1993.

"Card issuers are competing as never before to provide consumers with the broadest possible range of pricing options and benefits," said Charlotte Rush, vice president of Public Affairs for MasterCard International. "To do that, issuers need to locate in deregulated states or those states trending toward a 'free market' orientation. These states are the big winners, attracting the most card industry jobs.

"States with a restrictive regulatory or hostile legal environment place issuers at a real competitive disadvantage in the national marketplace," continued Rush. "Increasingly we see card industry jobs in these states targeted by 'card-friendly,' free market states."

- more -



"The only state with substantial employment at stake among the 'Most Unfavorable' is California, which slipped this year from the 42nd position to the 46th," noted Wyss.

Wyss explained that the major reason for the decline was the California legislature's failure to pass a credit card reform bill in 1993.

"In addition, there have been legislative efforts in three of the last four years to restrict interest rates," he said. "Finally, a hostile legal environment continues to exist; last year a lawsuit, which must be taken seriously, was filed against a non-profit public employee credit union for charging late fees in the \$5.00 range. And California's third largest bank lost a \$14 million judgment in 1993 relating to a credit card late fee lawsuit."

"We hope this annual survey will be a guide for lawmakers, state economic development officers, corporate relocation consultants and card industry decision makers as they assess where to locate and how to grow credit card employment," said Rush. "These jobs are particularly attractive because many do not require college degrees, yet pay higher-than-average-salaries, they are environmentally 'clean' and they lie at the center of the computer and telecommunications industries."

For more information on the study or its findings contact: David Wyss, research director, or Gordon Greenfield, senior associate, DRI/McGraw-Hill, (617) 863-5100.

MasterCard International Incorporated, headquartered in New York City, is a global payments franchise comprised of nearly 22,000 member financial institutions worldwide. Through its family of brands, MasterCard offers a full range of credit and debit products and services supported by a global transaction processing network. In 1993, 210.3 million MasterCard credit cards generated more than \$320.6 billion in transaction volume at 12 million acceptance locations worldwide.

# THE KANSAS CITY STAR.

Vol. 117, Tuesday, February 18, 1997, No. 154

An ABC Inc. Newspaper

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## Pop Kansas' retail cap

Kansas is one of several states that still retains old-fashioned "usury" laws regulating interest rates on retail credit. While the law may satisfy a paternalistic impulse always present among policy-makers, it is not only outdated but harmful. It should be repealed.

Here's why. Retailers don't offer credit because they make piles of money pushing plastic. A retail credit-card shop is a high-cost operation, and usually loses money. The postage alone is a major load. But customers expect the service, and stores must offer it to remain competitive.

Kansas currently caps retail rates at 21 percent for a balance of \$1,000 or less and 14.4 percent for that part of a balance above \$1,000. The problem is, the rules don't apply to all the players.

In 1979, the U.S. Supreme Court said that companies could use the rates that apply in the states where their credit banks are based. That

creates a potential disadvantage for operators in regulated states, such as Kansas. If rates shoot up, Kansas operators would be forced under the caps, while retailers with out-of-state financing arms would be free to raise rates to cover more of the costs of their credit-card operation.

In today's economy, removal of the caps won't cause rates to shoot up. In a 1988-89 study, 87 percent of companies surveyed were charging rates below 21 percent. A more recent study in Washington state found that most operators kept rates the same after deregulation.

Thanks to rate regulation, Kansas ranks very low in terms of favorability for locating back-office credit-card operations. A McGraw-Hill study put the state 47th out of 50. So far, 28 states have deregulated retail credit and Kansas should join them. It makes little sense for state-house nannies to cling to caps that are easily evaded by out-of-state chains.

# KANSAS

DEPARTMENT OF COMMERCE & HOUSING

February 17, 1997



The Honorable Donald Steffes  
Kansas State Senate  
Chairman, Committee on Financial  
Institutions and Insurance  
State Capitol Building  
Topeka, Kansas 66612

Bill Graves, Governor  
Gary Sherrer,  
Lt. Governor/Secretary

Dear Senator Steffes:

Studies over the past several years have consistently ranked Kansas at the bottom of all fifty states as a location for credit card issuing institutions. These rankings, typically, focus on three major criteria to determine attractiveness to such firms. Those criteria are the costs of doing business in each state, the legal and regulatory environment for financial institutions and the quality of life.

The quality of life that Kansas can offer prospective employers is second to none. The costs of doing business in this state are being lowered through efforts by the Governor and Legislature to reduce taxes and unnecessary regulations that negatively impact business. Access to state incentives to encourage industry growth have also been improved. Despite these positive factors, current credit regulations continue to hamper our opportunity to add jobs and investment in new credit processing centers.

To improve Kansas' ranking in the area of legal and regulatory environment, and to increase our chances of building this industry in our state, our current stringent credit regulations should be restructured or eliminated to encourage credit card issuing institutions to come to Kansas. It should be noted that our support of this measure is based, solely, on its potential economic development impact and does not address consumer credit or other issues related to the proposed changes.

Support of Senate Bill 27 would be a step towards making Kansas more competitive. I urge your consideration of this legislation.

Sincerely,

A handwritten signature in cursive script that reads "Steve Kelly".

Steve Kelly  
Director  
Business Development Division

BUSINESS DEVELOPMENT DIVISION

700 S.W. Harrison Street, Suite 1300, Topeka, Kansas 66603-3712  
(913) 296-5298 FAX (913) 296-3490 TTY (913) 296-3487

4-10

STATE OF KANSAS  
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

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS

MARCH 12, 1997

Mr. Chairman and Members of the Committee:

I am Judi Stork, Deputy Bank Commissioner and I am here today to testify in support of Senate Bill 132. This bill amends K.S.A. 9-1104, commonly referred to as the legal lending limit law.

This statute limits the amount of money a bank can lend to one borrower to 25% of the bank's capital. Under this law there are also special rules which deal with loans to partnerships and corporations. Our amendment affects this portion of the law. The basic rule is if you are a limited partner in a partnership, only that portion of the partnership debt for which you are liable, will be added to your personal debt for determining whether the bank is in compliance with the 25% limit.

An example may help. Bank KS has a 25% lending limit of \$500,000. Joe Borrower has personal debt with the bank of \$200,000 to buy a home. He is also a limited partner in a partnership which borrows \$1,000,000 from the bank. Joe has a 50% interest ownership in the partnership. Under the partnership agreement Joe's liability is limited to only 10%. So, even though Joe has a 50% ownership interest, Joe would be liable for only \$100,000 or 10% of the partnership debt. To then determine whether the bank is complying with K.S.A. 9-1104 you would add his \$200,000 personal debt to his \$100,000 partnership debt, for a total of \$300,000. The bank is in compliance as they are under the 25% limit of \$500,000.

Page 4, line 35 of the bill shows the one word amendment we are making. When our department revamped this section during the last legislative session we said the partner's interest in the partnership is what would be added in for the purpose of determining his total personal liability. In fact what we meant to say, and have been applying as law during the last year, is the partner's liability under the partnership will be added in for the purpose of determining personal liability.

I would be happy to answer any questions.

*House Financial Institutions*  
3-12-97  
Attachment 5