

MINUTES OF THE HOUSE FINANCIAL INSTITUTIONS.

The meeting was called to order by Chairperson Ray Cox at 3:30 p.m. on February 14, 2000 in Room 527-S of the Capitol.

All members were present except: Representative Henry Helgersen - Excused

Committee staff present: Dr. Bill Wolff, Legislative Research
Bruce Kinzie, Office of Revisor
Maggie Breen, Committee Secretary

Conferees appearing before the committee: Sue Anderson, Community Bankers Association
Judi Stork, Office of the State Bank Commissioner
Bill Sneed, Conseco Financial Services

Others attending: See Attached

Chairman Cox opened the hearing on **HB 2753 - Banks and trust companies, list of stockholders**

Proponent:

Sue Anderson, Community Bankers Association, said that to the best of CBA's knowledge, Iowa and Kansas are the only two states which require state-chartered banks to file a list of all their stockholders, including names and addresses, with a regulatory agency. This subjects them to the Kansas Open Records Act. Reports from CBA members and research from staff indicates that, because of this law, a number of banks have experienced blanket proposals to all their stockholders, with solicitation offers to purchase stock at a price that represented less than value. They are not opposed to the buying and selling of bank stock, that's not what's at issue here. None of their members are opposed to the filing of any records with the Bank Commissioner's office, that are necessary for the safety and soundness of the state-chartered banks in Kansas. However, when only state-chartered banks are required to make this kind of disclosure, it compromises their competitive stance. National bank charters and savings and loans do not have to file stockholder information in a way that is freely available to the public. The CBA believes that the same discretion should be afforded to state-chartered banks, at least to the extent that is par with other corporations in the state. The CBA has learned that there is a proposed amendment to **HB 2753**. It would require that all records be filed and retained at the Office of the State Bank Commissioner but would remove small stockholders owning less than 5 percent from the Kansas Open Records Act. CBA supports the amendment and asked that the committee report the bill favorably. They also had the suggestion that if the amendment be adopted, it refer to the location of the Kansas Open Records Act in the statute. (**Attachment 1**)

Bruce Kinzie handed out the amendment. (**Attachment 2**)

Neutral:

Judi Stork, Office of the State Bank Commissioner, said they object to a new law that would require the filing of a list of only those stockholders who own more than 5% of the stock of the bank or trust company. This is of concern to OSBC. They rely on the complete list of information, especially in cases of problem institutions. If it's necessary to make a capital call on a bank or trust company, the entire listing of stockholders is needed. Her office would be supportive of the proposed amendment to **HB 2753** from the standpoint that it addresses their regulatory objectives. The OSBC does not, however, take a position on whether the information should be confidential. This is an issue of public policy for the committee to decide. (**Attachment 3**)

Chairman Cox closed the hearing on **HB 2753** and reopened the hearing on:

HB 2675- UCCC, manufactured homes

Proponents:

Bill Sneed, Conseco Financial Service, handed out a proposed amendment to **HB 2675**. (**Attachment 4**)

CONTINUATION SHEET

MINUTES OF THE FINANCIAL INSTITUTION, Rm. 527-S Statehouse, at 3:30 p.m. on February 14, 2000.

The bill that they requested was an attempt, by Conseco, to provide for the financing of manufactured homes, under the UCCC, in the same way that onsite homes are financed. In essence, with prepaid finance provisions that are currently in the UCCC. They are amending 2 sections of the UCCC, 16a-2-201 and 16a-2-401. Section 401 deals with loans and section 201 deals with credit sales. His proposed amendment changes the language so that manufactured homes would be handled the same way as onsite homes. He respectfully asked that the committee amend the bill as outlined and pass it out favorably.

Martha Neu Smith, Kansas Manufactured Housing Association, submitted written testimony only. (**Attachment 5**)

Chairman Cox closed the hearing on **HB 2675**.

Chairman Cox said the committee would work **HB 2690 - Securities, regulating variable annuities**.

Commissioner Brant was asked to review what the amendments to the bill did. Commissioner Brant referred to the amendments that he had handed out previously. Page one of the amendment, shows a clarification that if the definition of securities is changed, there is a need to show that it does apply to variable annuities and variable life insurance policies that are required to be registered with the Securities and Exchange Commission in Washington. Page 3, lines 3 and 4, of the bill, clarifies that it does not apply to non-variable insurance policies and it does not apply to fixed annuities or to equity indexed fixed annuities. The first draft of the amendment, on line 5, merely had the words "a fixed sum of". That was the first lead they were going to follow, as it is the core word provision that is currently adopted by 5 other states. But they have found, after consultation with others, that this could be updated and clarified.

Page 2 of the amendment does not relate to the variable annuity question. It is an otherwise technical amendment to clarify what is required on nonprofit debt offerings. They are just substituting the words "specify conditions for this exemption" for the words "other information", so that they can specify what they need. On page 3 of the amendment, there is a provision to clarify that the insurance commissioner shall have the sole and exclusive jurisdiction over the contracts themselves and over the companies that issue the contracts. Another purpose of the proposed amendments is to clarify that sales practices regarding the variable products is subject to joint jurisdiction.

Representative Grant made a motion to report **HB 2690** adversely and to request an interim committee be formed to study to see if it is needed. Representative Mayans seconded the motion.

Representative Tomlinson made a substitute motion to adopt the amendments to the bill. Representative Hummerickhouse seconded the motion. The motion carried.

Represented Grant restated his motion. He made a motion to report the bill adversely as amended with a recommendation to request an interim committee to study this to see if it is needed. Representative Mayans seconded the motion. The motion carried with Representative Tomlinson voting no.

Chairman Cox said the committee would work **HB 2754 - Banks and trust companies, holding of real estate**.

Dr. Wolff gave a brief description of the bill. Currently, a banks that owns property for its own use, can hold that property for a period of 7 years. The 7 years begins on the date the property was purchased or acquired in some other capacity. This bill would allow the clock to begin to run from the date of change of intended use of the property. The bank would have 7 years to sell the property with the possibility of a 3 year extension.

Representative Burroughs made a motion to pass **HB 2754** out favorably. Representative Sharp seconded the motion. The motion carried.

The meeting adjourned at 4:12 p.m. The next meeting is scheduled for February 16, 2000.

HOUSE FINANCIAL INSTITUTIONS COMMITTEE GUEST LIST

DATE: February 14, 2000

NAME	REPRESENTING
CARRIE DONOVAN	KAIA
Sam Sellers	KAIA
Rick Friedstrom	KAIFA
Anne Spiess	Peterson Public Affairs Group
ROGER VIDLA	SBG
J. ARRON SMALL	KID
Tish Heim	SBG
Bill Sneed	CONSECO FINANCIAL
David Hanson	K's INSUR. ASSOCIATIONS
David Brant	SECURITIES COMM.
Mark DeGroot	KMHA
George Banbee	CBA
Max Fuller	CBA
Sue Anderson	CBA
Kathy Olsen	ICBA
Chuck Stokes	ICBA
Roger Franke	SBG
Sony Allen	OSBC
Jude Stork	OSBC

Kevin Glendenning
John Peterson

OSBC
Security Benefit Group



Testimony before the House Committee on Financial Institutions

Regarding HB 2753

Sue Anderson
Community Bankers Association of Kansas

Chairman Cox, Vice Chairman Humerickhouse and members of the Committee, thank you for the opportunity to appear here today in support of HB 2753. My name is Sue Anderson and I am executive director for the Community Bankers Association. We represent approximately 150 community banks throughout the state of Kansas.

Before getting to the text of House Bill 2753, which is under consideration today, a little background is in order.

To the best of our knowledge, Iowa and Kansas are the only two states, which require state-chartered banks to file a list of all their stockholders including names and addresses with a regulatory agency. Doing so, subjects these private investors to fall under the Kansas Opens Records Act. Thus, anyone can obtain a list of the stockholders, their names and addresses, and the amount of stock each stockholder owns, simply by requesting this information from the Office of the State Bank Commissioner in Kansas.

Reports from our members and research done by our staff indicates that because of this law, a number of banks have experienced blanket proposals to all their stockholders with solicitation offers to purchase stock at a price that represented less than value.

In eleven documented cases, a particular investment partnership from Tennessee purchased stock from mostly minority stockholders in such a solicitation blitz, which started in 1997 or 1998. Although each of the stock holdings are small – usually under 20% - we find it disturbing that state bank stockholders' private stock investments can be so easily perused by outside interests.

Quoting from the Tennessee partnership's self-named newsletter known as *The Vulture's Roost*:

...“We've been spending a good bit of time looking at banks in Kansas. We are making a beachhead on the prairies of America.”

...“Kansas is one of the last happy hunting grounds of the book value investor.”

...“I am hoping that Kansas will be one of our next big veins.”

...“We will spend about six months of 1998 working on finding more relics and antiques in which we can invest in Iowa and Kansas. Both states have a quirky state law that requires all banks to file with the State Commissioner of Banking a list of all shareholders, their addresses and the number of shares they own. Each state still has about 350 community banks. Among these 700 banks, we hope to find dozens of relics that trade at deep discounts to book value. We intend to use mailing lists obtained from the Commissioner's offices to mail postcards to the shareholders of these relics offering to buy stock.”

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Attachment 1

“If we can create a large group of relics that we own and follow in Iowa and Kansas, we will be able to sit back, go to sleep and wait for the merger and acquisition wars to engulf these Great Plain states.” [end of newsletter quotes]

We believe that current Kansas law is conducive to marauders such as the one just described. This particular investment group seems to have “deep pockets,” yet little is known about them. It was reported to us that this group has a second tier of approximately 100 investors which, to the best of our knowledge, are not publicly named.

We do not like the thought of Kansas citizens who happen to own Kansas bank stock being solicited on a slips of plain white paper in hand-written envelopes. Many did not talk to the bank owners before selling their stock. Most did not realize that in many cases, their stock was worth more money than they were paid, which in the examples we uncovered was less than half of what it was worth.

Additionally, we view this as an invasion of privacy when confidential investment information that would normally be confidential can be used for private gain. When you invest in national bank stock, your name, address, and the number of shares you own are not listed for public viewing. When you invest in the stock market, your name and address and your individual stock investments are not listed for viewing by the general public.

Ladies and Gentlemen, we are not opposed to the buying and selling of bank stock. None of our members are opposed to filing with the Bank Commissioner’s Office any of the records necessary to uphold the safety and soundness of the state chartered banks in Kansas. However, when *only* state-chartered banks are required to make this type of disclosure, it compromises their competitive stance. National bank charters and S&L’s do not have to file this type of information in a way that is freely available to the public. We believe the same digression should be attended to state chartered banks, at least to the extent it is par with other corporations in the state.

We learned last week of a proposed amendment to HB 2753 which would require all records to be filed and retained at the Office of the State Bank Commissioner but would remove small stockholders (owning less than 5%) from the Kansas Open Records Act. We support the amendment and we ask that you report HB 2753 favorably as amended.

Thank you again for the opportunity to address this issue with you.

HOUSE BILL No. 2753

By Committee on Financial Institutions

1-31

9 AN ACT relating to banks and trust companies; concerning list of stock-
10 holders; amending K.S.A. 9-805 and repealing the existing section.

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

12 Section 1. K.S.A. 9-805 is hereby amended to read as follows: 9-805.
13 Every bank and every trust company shall keep a full and correct list of
14 the names and addresses of all of its stockholders, and the number of
15 shares owned by each. This list of stockholders shall be kept and main-
16 tained in the office where its business is transacted, and during the busi-
17 ness hours of such bank or trust company, the same shall be subject to
18 the inspection of all stockholders. The president or cashier of every bank
19 and every trust company shall submit to the commissioner on or before
20 ~~the thirty-first day of~~ January 31 of each year a list of such stockholders
21 ~~owning at least 5% of the capital stock of such bank as~~ of the first day of
22 such calendar year, the correctness of which shall be verified under oath.

23 Sec. 2. K.S.A. 9-805 is hereby repealed.

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

except that the names and addresses of all stockholders owning less than
5% of the capital stock of such bank shall be confidential and shall not be
subject to disclosure under the provisions of the open records act

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Attachment 2

STATE OF KANSAS
BILL GRAVES
GOVERNOR

Franklin W. Nelson
Bank Commissioner

Judi M. Stork
Deputy Bank Commissioner



Sonya L. Allen
General Counsel

Kevin C. Glendening
*Acting Deputy Commissioner
Consumer and Mortgage Lending*

OFFICE OF THE
STATE BANK COMMISSIONER

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS

February 9, 2000

Mr. Chairman and Members of the Committee:

My name is Judi Stork. I am the Deputy Bank Commissioner for the State of Kansas. I am here today to voice our objection to House Bill 2753.

This bill amends K.S.A. 9-805 and changes the requirement that banks and trust companies submit a complete list of stockholders to the bank commissioner on an annual basis. Instead the new law would require the filing of a list of only those stockholders who own more than 5% of the stock of the bank or trust company. This is concerning to our agency as we rely on the complete list of information, especially in cases of problem institutions. If it is necessary to make a capital call on a bank or trust company, the entire listing of stockholders is needed.

In my discussion with the Chairman, I understand there is a proposed amendment that will remedy our concerns. Our office would be supportive of the amendment from the standpoint that it addresses our regulatory objectives. We do not, however, take a position on whether the information should be made confidential. That is an issue of public policy for this body to decide.

Thank you and I would be happy to answer any questions.

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Attachment 3

New 16a-2-201 (3) (page 1, lines 20-25)

Delete current law and insert the following:

(3) A Seller may charge a prepaid finance charge:

- (a) for a consumer credit sale secured by a security interest in a manufactured home as defined by 42 U.S.C. 5402(6) in an amount not to exceed 5% of the amount financed for the sole purpose of reducing the interest rate of the consumer credit sale.
- (b) for any other consumer credit sale, an amount not to exceed the lesser of two percent of the amount financed or one hundred dollars.
- (c) A prepaid finance charge permitted under this subsection is in addition to finance charges permitted under subsection 2. A prepaid finance charge permitted under this subsection is fully earned when paid and is nonrefundable, unless the parties agree otherwise in writing.

16a-2-201(6) (page 3, lines 17-18)

Delete original amendment and reinsert current language.

16a-2-401(3) (page 3, line 38)

Add the following after the word "mortgage:"

"or a consumer loan secured by an interest in a manufactured home as defined by 42 U.S.C. 5402(6)."

16a-2-401(4) (page 4, line 2)

Add the following after the word "mortgage:"

"or a consumer loan secured by an interest in a manufactured home as defined by 42 U.S.C. 5402(6)."

16a-2-401(6)(a) (page 4, line 14)

Delete the amended language "security interest" and add the following in its place:

"consumer loan secured by an interest"



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

TO: Representative Ray Cox, Chairman
And Members of the Committee

FROM: Martha Neu Smith, Executive Director
Kansas Manufactured Housing Association

DATE: January 26, 2000

RE: House Bill 2675 – An Act amending the uniform consumer credit
code; relating to the sale of manufactured homes

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

Conseco Financial Servicing Corporation formerly known as Green Tree is one of KMHA's members and one of the top lenders in the State of Kansas for manufactured home loans. Conseco authored HB 2675 in an effort to keep them competitive in the Kansas manufactured home market.

KMHA supports HB 2675 and the amendment offered by Bill Sneed. I respectfully ask the House Committee on Financial Institutions to support HB 2675 with the Sneed amendment.

Thank you for your consideration.

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Attachment 5