

Approved: February 15, 2000
Date

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE.

The meeting was called to order by Chairperson Senator Don Steffes at 9:00 a.m. on February 14, 2000 in Room 231-N of the Capitol.

All members were present except: Senator Sandy Praeger, Excused

Committee staff present: Dr. William Wolff, Legislative Research
Ken Wilke, Office of Revisor of Statutes
Nikki Feuerborn, Committee Secretary

Conferees appearing before the committee: Kevin Glendenning, Deputy Commissioner of Consumer
Credit
Lynn Nelson, Bank Commissioner
Matt Goddard, Heartland Bankers Association

Others attending: (See Attached)

Continued Hearing on SB 445: Uniform consumer credit code; concerning appraised values and appraisals

Kevin Glendenning, Deputy Commissioner of Consumer Credit, reviewed the three parts of the bill which are under consideration for change:

- Under the definition for "appraised value," change "the greater of" to "either" so that a lender is not required to acquire two appraisals.
- Deletions eliminating the requirements to have an appraisal prior to making the loan (first and second mortgages). Lenders of first mortgages are most likely to require an appraisal. Second mortgages or equity loans are often well below the value of the home. This deletion will allow lenders to establish lending policies and guidelines for loan officers to require appraisals where there is a question regarding risk in making the loan. Require that all loan applicants would receive a written notice regarding the availability of consumer credit counseling.
- Makes Kansas' "right of rescission" consistent with federal law which is three days.

Mr. Glendenning suggested striking "either" and replacing the comma preceding it with a semicolon. This would make the bill consistent with the bill which is currently in the House, **HB 2691**. He and Mr. Barbee have agreed to reinsert lines 21 through 29 on Page 8 of the bill addressing the issue of requiring all loan applicants to receive a written notice regarding the availability of consumer credit counseling. This would mean that only those who are receiving a loan of more than 100% appraised value would receive the notice of availability of consumer credit counseling. Mr. Glendenning said the Office of Consumer Credit had agreed to changing the days of rescission from five to three days to be in agreement with federal regulations.

Senator Biggs moved to amend the will by reinserting lines 21 through 29 on Page 8 of the bill. Motion was seconded by Senator Clark. Motion carried.

Senator Clark moved to strike "either" on Line 2 of Page 3 and replace the comma preceding the word with a semicolon. Motion was seconded by Senator Biggs. Motion carried.

Senator Feleciano moved to add the word "and appraisal" after the word "notice" on lines 34 and 39, Page 8 of the bill. Motion was seconded by Senator Barone. Motion failed.

The hearing on **SB 445** was closed.

Re-opening of Hearing on SB 498-Banks, providing for limitations on special orders issued by bank commissioner

CONTINUATION SHEET

Lynn Nelson, Bank Commissioner, stated they agreed with the publishing of any special orders in the Kansas Register. It was explained that the bill and proposed amendment allow the Bank Commissioner to match any idea by issuing a special order, of a bank commissioner in another state if a bank chartered in their state buys another bank in Kansas or opens a branch here. There is concern that Kansas banks could be less competitive if a competitive branch of a savings and loan, thrift, or credit union from out of state moved into the state offering services that were unavailable through our state-chartered banks. Commissioner Nelson recommended the need to be proactive in an attempt to protect our state banks. Twenty states including Missouri have granted the proposed power to their Bank Commissioner. It was noted that no credit unions nor savings and loans now offer services which are not available in state banks. There was discussion among the Committee of the fairness of granting the Bank Commissioner such power without granting the regulator of these types of depositories the same authority to issue special orders due to competitive disadvantage. Mrs. Stork reported that the Office of Thrift Supervisory is coming up with "innovative plans." She also reported that the OCC can grant parity to national banks in order to remain competitive with state banks.

Matt Goddard presented amendments which would grant parity to state-chartered savings and loans with other insured depository institutions in order to restore balance between the state and federal thrift charters (Attachment 1). Savings and loans now have the authority to have unlimited branching and can claim ownership in real estate development.

Senator Clark moved to adopt the amendment as prepared by the Office of the State Bank Commissioner. The motion was seconded by Senator Brownlee. The motion failed.

Senator Feleciano moved to adopt the minutes of February 3, 7, 8, 9, and 10. Motion was seconded by Senator Corbin. Motion carried.

The meeting was adjourned at 10:00 a.m. The next meeting will be held on February 15.

SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE

GUEST LIST

DATE: Feb. 14, 2000

NAME	REPRESENTING
George Barbee	KAFS
Chuck Stones	KBA
Kathy Olsen	ICBA
Walter Jay Smith	KIMHA
Sonya Allen	OSBC
Kevin Glendening	OSBC
Judi Stork	OSBC
Paul Miller	OSBC
Matt Goddard	HCBA
Erik Sartorius	Johnson Co. Board of Realtors
Jennifer Cant	Jedrick Consulting
Karin Ann Lower	KATP
Tom Cochran	Commerce Bank
Bill Brady	KS Gov't Consulting



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To: Senate Financial Institutions and Insurance Committee

From: Matthew Goddard
Heartland Community Bankers Association

Date: February 14, 2000

Re: Senate Bill No. 498

The Heartland Community Bankers Association appreciates the opportunity to appear before the Senate Committee on Financial Institutions and Insurance to request your consideration of the attached amendment to Senate Bill 498.

HCBA agrees with the state bank department on the importance of the dual banking system. Unfortunately, duality is absent in the Kansas savings and loan industry. Changes made in 1989 by the Financial Institutions Reform and Recovery Act gave the federal thrift charter significant advantages over state thrift charters. In 1993, eleven of Kansas' 13 state-chartered savings and loans converted to federal charters. The last state-chartered savings institution was acquired by a commercial bank in 1997. At present, there are no state-chartered savings associations in Kansas.

The amendment to Senate Bill 498 proposed by the state bank department would allow the state bank commissioner to grant state-chartered banks the same powers of any "insured depository institution." Such "institutions" are defined as federal and state banks, savings and loans and credit unions. At present, the commissioner is only authorized by statute to issue special orders to promote the competitive equality of state banks and national banks, not other depository institutions.

It would only seem logical that if a special order can be issued giving state banks parity with other financial institutions, then other financial institutions should be able to be granted parity with commercial banks. The potential for state-chartered savings and loans to be granted parity with other insured depository institutions would go a great way towards restoring balance between the state and federal thrift charters.

Please understand that even if both our and the Department's amendments became law, we would not anticipate federal thrifts switching to state charters the next day. However, the amendments would make the state charter a more viable alternative for institutions that currently have a federal charter. That would greatly strengthen the concept of a dual banking system.

The Heartland Community Bankers Association appreciates the consideration of its amendment by the Senate Financial Institutions and Insurance Committee.

Thank you.

Senate Financial Institutions & Insurance

Date 2/14/00

Sec 2. K.S.A. 17-5601 is hereby amended to read as follows: 17-5601. (a) The commissioner shall have general supervision over all associations and corporations which are subject to the provisions of this act. The commissioner shall enforce the purposes of this act by use of the powers herein conferred and by resort to the courts when required. In addition to any and all other powers heretofore granted to the state savings and loan commissioner, the commissioner, with the prior approval of the savings and loan board, shall have the power to authorize state savings and loan associations to engage in any activity in which such associations could engage were they operating as ~~federal savings and loan associations~~ any insured depository institution at the time such authority is granted, including but without limitation because of enumeration, the power to do any act, and own, possess and carry as assets, property of such character, including stocks, bonds or other debentures which, at the time said authority is granted, is authorized under ~~federal applicable~~ laws and regulations to be done ~~by federal savings and loan associations~~ an insured depository institution, notwithstanding any restrictions elsewhere contained in the statutes of the state of Kansas. The commissioner shall exercise such power by the issuance of a special order therefor, if such commissioner deems it reasonably required to preserve and protect the welfare of state savings and loan associations and promote competitive equality of state ~~savings and loan associations and federal savings and loan associations~~ other insured depository institutions. Except as provided in subsection (d), such special order shall provide for the effective date thereof and upon and after such date shall be in full force and effect until amended or revoked by the commissioner, with the prior approval of the state savings and loan board, by subsequent special order. Upon issuance of a special order, the commissioner promptly shall mail copies thereof to all state savings and loan associations and shall be published in the Kansas register. The issuance of such special orders shall not be subject to the provisions of article 4 of chapter 77 of the Kansas Statutes Annotated.

(b) The commissioner shall, at the time of issuing any special order pursuant to this section, submit a written report thereof to the president and minority leader of the senate and to the speaker and minority leader of the house of representatives.

(c) As used in this statute, "insured depository institution" means a bank, a savings and loan association, a savings bank, or a credit union organized under the laws of the united states, this state, or any other state, whose deposits are insured by the united states government.

(d) Any special order issued pursuant to this section may be modified or revoked by the legislature's enactment of legislation.

Sec. 3. K.S.A. 17-5601 and K.S.A. 1999 Supp. 9-1715 are hereby repealed.

Sec. 4 This act shall take effect and be in force from and after its publication in the statute book.