Approved: February 21, 2005
Date

MINUTES OF THE HOUSE FINANCIAL INSTITUTIONS COMMITTEE

The meeting was called to order by Chairman Ray Cox at 3:30 P.M. on February 7, 2005 in Room 527-S of the Capitol.

All members were present except:
Oletha Faust-Goudeau- excused
Mario Goico- excused

Committee staff present:
Melissa Calderwood, Kansas Legislative Research Department
Michele Alishahi, Kansas Legislative Research Department
Bruce Kinzie, Revisor of Statutes Office
Patti Magathan, Committee Secretary

Conferees appearing before the committee:
Kevin Glendening, State Banking Commission
Tim Hagan, Consumer Credit Counseling
Ron Gaches, Kansas Association of Financial Services
Doug Wareham, Kansas Bankers Association
Brad Smoot, Representing Loan Max
Rod Aycox, Loan Max
Ms. Amy Parker, Loan Max Customer
Ms. Lisa Ross, Loan Max Customer
Ms. Jo Tiffany, Loan Max Customer
Bill Sneed, Midwest Title Loans

Others attending:
See attached list.

Representative Cox announced that there would be a presentation on Uniform Consumer Credit Code (U.C.C.C.). He also advised conferees that testimony would be limited to seven minutes due to the number of people who would be testifying today.

Melissa Calderwood, Legislative Research Staff, testified that the U.C.C.C. was enacted in 1973 and applies to all aspects of consumer credit transactions related to personal, family and household purposes. Generally these transactions are less than $25,000. The U.C.C.C. is administered by the Deputy Commissioner of Consumer Mortgage and Lending who is part of the Office of the State Bank Commissioner. U.C.C.C. was amended by the legislature in 1980, 1988, 1994, and again in 1999.

The U.C.C.C. establishes three categories of interest rates: closed end or installment rates, open end or revolving credit rates, and lender rates. Under current law a seller may set a finance charge at "any rate agreed to by the parties" subject to the statutory limits of prepaid finance charges, which vary by loan category.

Two proposed house bills, **HB -2143 Consumer credit code, finance charges, and HB - 2145 Consumer credit code, regulations, penalties**, attempt to amend the current code. **(Attachment 1)**

Chairman Cox opened Hearings on: **HB -2143** Consumer credit code, finance charges.

Proponent **Kevin Glendening**, of the State Banking Commissioner's Office, stated that **HB 2143** would reinstate an interest rate ceiling on certain consumer credit transactions which was removed in the late nineteen nineties. Mr. Glendening explained that core to the purpose of U.C.C.C. is the premise that a consumer is at a disadvantage in terms of knowledge and understanding of financial matters and credit practices in contrast to the more sophisticated knowledge of the lender. The U.C.C.C. seeks to ensure certain protections for the consumer using a variety of forms including consumer rights, lender responsibilities, and maximum interest rate ceilings.

Lack of an interest rate ceiling is inconsistent with existing ceilings now in place for closed-end credit and real estate secured consumer loans. In addition, lack of an interest rate ceiling on open-end credit or credit sales has created a gaping hole in the safety net for Kansas consumers and has potentially adverse implications for both individuals and the Kansas economy. Mr. Glendening told the Committee that a Georgia-based company has established a number of locations in Kansas making "title loans" at interest rates of 360 percent or more, secured by a lien on an individual's vehicle. The debt is structured as a revolving loan to take advantage of the present lack of an interest rate cap. Mr. Glendening stated that his position is that these loans cannot be justified just because some consumers accept them, nor does he ascribe to the theory that high risk and high loss to the lender justify the higher interest rates. His goal is to strike a balance between the needs of credit providers, while ensuring reasonable protection for Kansas consumers. **(Attachment 2)**

Proponent **Tim Hagan**, Director of Education for the Wichita office of the Consumer Credit Counseling Service told the Committee that his nonprofit agency provides personal financial-management education and counseling services from offices in Wichita, Salina, Hutchinson, Garden City, and Hays. Their programs attempt to increase financial literacy and help Kansas consumers avoid bankruptcy. They counseled more than 10,000 Kansans last year who shared a common denominator which is "lack of financial literacy." **HB 2143** affords an opportunity to protect Kansas consumers.

Mr. Hagan provided a copy of one customer statement which illustrates Annual Percentage Rate (A.P.R.) of 360 percent and outlined a 12-month payback on a loan of $1000 in which interest alone totaled more than $2750. That same $1000 loan could be paid back over 12 months at 264 APR with interest only totaling $1900.

Mr. Hagan concluded that a better alternative could be to sell the vehicle and retain excess cash, instead of using it for loan collateral and risking loss of the entire vehicle value if repossession occurs. He also indicated that at times, for some people, bankruptcy is also a better alternative. **(Attachment 3)**

Chairman Cox announced that there was written testimony proved by **Melissa Lewis** of El Centro Inc., a proponent **(Attachment 4),** then opened the floor to questions for proponents.

Representative George stated that Mr. Glendening had mentioned that LoanMax is applying for 44 repossessions each month. He asked Mr. Glendening if he could provide the total number of loan requests in order to compute the percentage. Mr. Glendening estimates that 44 applications for repossession is approximately 10 percent of total title applications.

Representative Brown asked Mr. Glendening how the repossession rate compares to other lenders. Mr. Glendening believes that they are higher than a typical lender.

Representative Vickery quoted the written testimony of El Centro and questioned whether some lenders are actually charging higher rates than LoanMax. Mr. Glendening stated that he has seen reference to rates as high as seven hundred percent.

Representative O'Malley asked Mr. Hagen what his response is to people who say that LoanMax and similar credit companies offer an opportunity to people who cannot obtain credit from traditional lenders. Mr. Hagan stated that indeed these people were in "dire straits" and offered that, since these loans are secured by the vehicle title, if the borrower needs one-half of the vehicle value, a better alternative would be to sell the car. One-half of the proceeds would be used to satisfy debt and the borrower could retain one-half the value of the car to provide for transportation costs, thereby avoiding the high interest rates.

Representative O'Malley asked if data is available to reflect percentage of loans that linger. Mr. Glendening replied that roll-over financing has become a common element.

Representative Brunk asked Mr. Hagan if his statement that no one would choose this type of loan was an interest rate issue or a disclosure issue? Mr Hagan replied that it was an impact issue. Loan terms have been disclosed but it's an understanding issue since the consumer doesn't understand what the terms will mean to them. Loans are secured by fifty percent of vehicle wholesale value.

Representative O'Malley questioned why the U.C.C.C. open-end credit wording was changed in 1999. Mr.

Glendening stated that the changes were made to allow Kansas loan providers to compete with out-of-state providers who did not have interest-rate caps.

Chairman Cox announced that we would now hear testimony from the opponents.

Opponent **Ron Gaches** spoke as a representative of Kansas Association of Financial Services (K.A.F.S.). Deregulation of interest rates has allowed consumer finance and mortgage companies the ability to provide more accurate risk pricing, allowing consumers with outstanding credit histories to benefit from lower interest rates and allowing consumers who previously were denied credit viable options in the marketplace.

The K.A.F.S. lenders provide financing for a wide range of credit transactions in a regulated environment run by the Kansas Banking Commissioner's Office. Violations of the Kansas U.C.C.C. and regulations can result in civil penalties of up to $5,000 per violation, cease and desist orders, negotiated settlements, and revocation of the lender's license. The division of Consumer and Mortgage Lending has the authority to ensure that companies are good operators and it regularly exercises that authority.

The Kansas legislature made the decision in 1999 to remove the cap on interest rates as part of a comprehensive updating of the U.C.C.C. Since that time the Kansas consumer market has grown significantly and consumers who previously did not have credit available now do. Reinstating the interest rate cap would fall most heavily on those who are least able to secure credit in the traditional bank and credit union markets. Just because individuals have a credit record that traditional banks view as undesirable or don't have a bank account doesn't mean the State of Kansas should prevent them from obtaining financial credit if they need it. **(Attachment 5)**

Opponent **Doug Wareham** spoke on behalf of the Kansas Bankers Association (K.B.A.). It is the position of the K.B.A. that in its current form, this bill goes beyond the scope of what is necessary to pinpoint the creditors the Commissioner's office is seeking to address. The K.B.A offers a balloon amendment to this bill which provides a floating rate cap in lieu of the flat 21% cap currently proposed in this bill.

Recognizing the need to periodically update the U.C.C.C., it is the K.B.A.'s position that enactment of this bill in current form will undo legislation adopted in 1999 by the Kansas Legislature and go beyond what is necessary to address the Commissioner's true concerns. In addition, the K.B.A. believes that, if adopted in its present form, the bill has the potential to drive business from Kansas. **(Attachment 6)**

Brad Smoot opened testimony on behalf of LoanMax. LoanMax operates in a highly regulated environment in nineteen other states. There are four licensed stores in Kansas. LoanMax is eager to cooperate with the Kansas Banking Department and to operate in accordance with all laws and regulations of the state. The President, General Counsel, LoanMax managers, and some customers are also here today to visit with you.

Current law guarantees the continuing availability of credit to consumers up and down the economic scale. **HB 2143** removes that guarantee for low and middle income people or those with impaired credit histories.

Since opening for business in Kansas seven months ago, LoanMax has made nearly 7,000 loans, suggesting that there is a pent-up need for small consumer loans. Low interest rate loans seem consumer friendly, but a loan that you can not get is not consumer friendly.

Proponents of **HB 2143** focus on the high A.P.R., which is misleading. These are short-term loans not intended to continue for a year. They are not comparable to 30 year home mortgages or 60 month new car loans. Proponents of interest rate caps also maintain that LoanMax takes advantage of people "ignorant" of interest rates. Our customers are adults with ordinary cash flow needs like many of us have had from time to time. LoanMax tells them how much the loan will cost, that it is high interest, encourages them to consider less expensive lending opportunities, and encourages them to repay the loan quickly. We want and have happy customers.

We think the Legislature made the right decision directing the U.C.C.C. Administrator to "assure an adequate supply of credit to consumers" and that the 1999 Kansas Legislature was correct in letting the marketplace determine what that credit should cost. We urge the Committee to think long and hard about the "unintended consequences" of this legislation. **(Attachment 7)**

Mr. **Rod Aycox**, representing LoanMax testified as an opponent. He informed the committee that LoanMax has made 6900 cash advances from the four Kansas offices, and has also made 2800 cash advances from their Missouri offices to customers residing in Kansas. He emphasized that their product fills a niche market. LoanMax offers a product for short-term cash flow problems. Their current interest rate is 22% per month. Mr. Aycox stated that their loans are made based on vehicle collateral and they do not run credit reports or report to credit bureaus. They do not garnish wages. Their loans are vehicle only exposure. Vehicles are sold at auction with excess proceeds promptly returned to the borrower. They have repossessed 210 vehicles since beginning of business in Kansas. This amounts to under five percent of loans.

These are small balance transactions, averaging three to four hundred dollars and are very costly to process. Loss ratios are higher. Compared to home equity loans the LoanMax product is actually cheaper for a short-term commitment. **(Attachment 8)**

Mr. Aycox presented Mrs. **Amy Parker**, Miss **Lisa Ross**, and Miss **Jo Tiffany,** who testified as satisfied customers of LoanMax.

Bill Sneed, representing MidWest Title Loans Company, testified as an opponent. MidWest Title Loans is based in Tennessee. They do not operate in the state of Kansas, but have hundreds of customers who reside in Kansas and do business thru their Missouri offices. Mr. Sneed stated that his client felt it important to go on record that they would not be interested in establishing offices within the state of Kansas were this legislation passed. This legislation would put overly stringent limits on the type of financial transactions in which they engage. **(Attachment 9)**

Written testimony only was provided by **Intrust Bank**, an opponent, **(Attachment 10)**.

Chairman Cox opened the floor to questions.

Representative Brunk asked Mr. Sneed how his company differs from other companies and how his product would differ. Mr Sneed replied that his product is similar to LoanMax and wherever his customer has opened for business where competition exists the interest rates have gone down.

Representative Grant asked Mr. Wareham if the K.B.A would support this bill if his amendment were adopted. Mr. Wareham said that if both components of his amendment were adopted the K.B.A. opposition to this bill would disappear.

Representative Vickery asked Mr. Aycox why LoanMax had reduced their interest rates from 360 percent to 224 percent. Mr. Aycox responded that the drop was due to market conditions. He also asked Mr. Aycox that if five percent of their loans ended with repossession, were there other loans that were simply written off. Mr. Aycox replied that, yes, they have written off approximately four percent of their loans which is in addition to the five percent that were repossessed.

Representative O'Malley asked Mr. Aycox about other operations and whether those states have loan caps. Mr Aycox replied that they operate in 21 states of which five have rate caps in the twenty two to twenty five percent per month range. Three states limit the length of the loan.

Chairman Cox closed the hearings on **HB 2143** and announced that the committee would not hear **HB 2145** today. The committee will work **HB 2143** on February 16.

The meeting was adjourned at 5:07 P.M. The next meeting will be Wednesday, February 9.

HOUSE FINANCIAL INSTITUTIONS COMMITTEE GUEST LIST

DATE: 2-7-05

NAME	REPRESENTING
[illegible]	SMR
P. Bart	Fin. Mgt.
[illegible]	SMR
Donnelle Deiry	SMR
[illegible]	
[illegible]	KMHA
JOHN C. BOTTENBERG	LOANMAX
Bud Burke	Pay Day Loans
Whitney Damron	KS Payday Loan Assn.
Stuart Little	Little Govt. Relations
JoAnne Minihas	OSBC
Gwen Hill	OSBC
Patricia Lightner	HSBC
Kathleen Peiffer	Wells Fargo Financial
Ron Gaches	KAFS, KAMB, Intrust, Commerce
Renée Murray	CBA
Judi Stork	Office of the State Bank Comm.
Sonya Allen	"
[illegible]	"

HOUSE FINANCIAL INSTITUTIONS COMMITTEE GUEST LIST

DATE: 2-7-05

NAME	REPRESENTING
Roderick Aycox	LoanMax
Mrs Amy Parker	Loan Max
Jo Tiffany	Loan Max
[illegible]	Loan Max
[illegible]	Loan Max
Bill Sneed	Midwest Title Loans
David Reid	Midwest Title Loans
Denny Koch	Polsinelli
Jim Gardner	Polsinelli
Jennifer Miller	Loan Max
Jerel Wright	Ks Dept of Credit Unions
Diane Miller	Loan Max
Michelle Smith	Loan Max
Robyn Waller	Loan Max
Doug Wareham	Kansas Bankers Association
William R. Jones	Intrust Bank
Ronald E Snodgrass	LOAN MAX
Joseph V. Moreland	LOAN MAX
Revonda Brown	LOAN MAX

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February 7, 2005

To: House Financial Institutions Committee

From: Melissa Calderwood, Research Analyst

Re: Interest Rates and the Uniform Consumer Credit Code

Uniform Consumer Credit Code

Background

Enacted in 1973, the Kansas Uniform Consumer Credit Code (UCCC) applies to all aspects of consumer credit, addressing transactions for personal, family, and household purposes. UCCC transactions include consumer sales (closed end or revolving, including retail credit card purchases), consumer loans (including purchases by bank credit cards), and consumer leases. Consumer transactions may involve the consumer, and retail merchants; banks, savings and loan associations, and credit unions; licensed lenders, including finance companies; and lender credit card companies. In general, transactions greater than $25,000 are outside the UCCC, but any transaction may become a consumer credit transaction if the parties to the agreement choose to do so.

The Office of the State Bank Commissioner provides oversight of the UCCC. During the 1998 Interim Session, the Special Committee on Financial Institutions and Insurance studied reorganization of the financial institutions' regulatory agencies. Committee recommendations included consolidation of the Office of the Consumer Credit Commissioner with the Office of the Bank Commissioner. As a result of action by the 1999 Legislature, the Office of the Consumer Credit Commissioner was abolished and the powers and functions transferred to the Office of the State Bank Commissioner. A Deputy Commissioner of Consumer Mortgage and Lending was created and the Deputy Commissioner was designated as the Administrator of the Uniform Consumer Credit Code.

Interest Rates

The UCCC establishes three categories of interest rates: closed end or installment rates (KSA 16a-2-201); open end or revolving credit rates (16a-2-202); and lender rates (16a-2-401). **Closed end** installment contracts calculate in advance the amount financed and the finance charge and provide payment of the calculated total in equal installments at equal intervals, *i.e.*, auto loans. **Open end** credit includes revolving credit accounts and lines of credit which are payable in amounts, usually monthly, that are a percentage of the outstanding balance. **Lender rates** are those charged on loans made by licensed lenders, by supervised financial institutions, and by lender credit card arrangements.

Under current law, closed end, open end, and lender rate consumer credit transactions allow a seller to set a finance charge at "any rate agreed to by the parties" subject to the statutory limits of prepaid finance charges. The limitations and computations for the finance charges are as follows.

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Attachment 1

- **Closed end consumer credit sales**
  - Sales, other than manufactured homes, maximum amount is 2 percent of the amount or $100, whichever is less.
  - Sales, manufactured homes, maximum amount is 5 percent of the amount.

- **Open end consumer credit sales**
  - *Average daily balance*, finance charge is calculated on the sum of the amount of actual daily balances each day during the billing cycle divided by the number of days in the billing cycle; or
  - *Ending balance*, finance charge is calculated on the balance of the account at the end of the billing cycle.

- **Lender credit sales**
  - *Periodic rate ceilings (loans other than first or second mortgage)*, 36 percent per year on the portion of the unpaid balance which is $860 or less, and 21 percent per year on the portion of the unpaid balance which exceeds $860.
  - *Periodic rate ceilings (loans secured by second mortgage, manufactured homes)*, 18 percent per year. The rate would apply to any first mortgage loans made subject to the UCCC.
  - *Prepaid finance charges on consumer loans*:
    - first or second mortgage loan or certain manufactured home loans, not to exceed 8 percent of the amount financed; however, the total of all prepaid finance charges payable to the lender cannot exceed 5 percent of the amount financed.
    - Other consumer credit loans, maximum amount is 2 percent of the amount or $100, whichever is less.

Payday loan transactions are subject to special limitations for finance charges. The loans and the cash advance must be $500 or less. Applicable finance charges are: on any amount up to and including $50, a finance charge of $5.50 could be charged; on amounts in excess of $50, but not more than $100, the finance charge could be 10 percent of the amount plus a $5 administrative fee; on amounts in excess of $100 but not more than $250, the finance charge could be 7 percent of the amount with a $10 minimum plus a $5 administrative fee; and for amounts in excess of $250 but less than the maximum amount, the finance charge could be 6 percent of the amount with a minimum of $17.50 plus a $5 administrative fee. In addition, the Code includes a provision that the contract interest rate after maturity cannot be more than 3 percent per month.

History

In 1980, the Kansas Legislature amended KSA 16a-2-201 to allow a seller in a closed end credit sale or in an open end sale to charge 18 percent interest as an alternative to other specified rates, including 21 percent on $300 or less, 18 percent on amounts between $300 and $1,000, and

14.45 percent on amounts in excess of $1,000. KSA 16a-2-401 was amended to allow a supervised financial institution to charge 18 percent interest without being a licensed lender (by the Consumer Credit Commissioner). The rate charges were sunset at periods of one (1980-1982) and two years (1983-1987). In 1988, the Legislature (SB 507) amended the rates on closed end credit sales by reducing, from three to two, the applicable interest rates, establishing:

- 21 percent on the first $1,000;
- 14.45 percent on amounts over $1,000; or
- 18 percent on the outstanding balance.

Interest rates on open end credit sales were also amended to allow for an alternate rate. SB 507 also authorized a nonrefundable origination fee not to exceed 2 percent or $100 on closed end credit sales. The 1993 Legislature amended the Code to allow that on and after January 1, 1994, all finance charges on consumer loans and consumer credit sales be computed on the unpaid principal balances by the actuarial method. Precomputed contracts created on and after January 1, 1994, were prohibited.

1999 Legislature - Sub. for SB 301

The 1999 Legislature amended several sections of the UCCC relating to rates, terms, and conditions on consumer credit sales and consumer loans for personal, family, or household purposes; and allowed certain real estate transactions to be brought under the Code specifying the rates, terms, and conditions for such loans. The legislation also added new sections to the Code that impose new obligations on persons making loans under the Code.

Changes to the law included:

- Striking the definition of "origination fee" and adding a definition of "prepaid finance charge" which for a consumer loan secured by a first or second mortgage may not exceed 8 percent of the amount financed (aggregate 5 percent), and for any other consumer loan and for closed end consumer credit sales, the prepaid finance charge may not exceed the lesser of 2 percent of the amount financed or $100.

- Establishes that the finance charge on a consumer loan or consumer credit sale must be computed by using either the 365/365 or 360/360 method but not on a 365/360 method (lender may assume that a month has 30 days, regardless of the actual numbers of days in a month).

  In regard to consumer loan rate ceilings, the legislation:

- Removed the interest rate limitation on open end consumer loans, including lender credit cards;

- Maintained a maximum interest rate of 36 percent on the first $860 of a closed end consumer loan;

- Increased the maximum allowable interest rate on amounts of a closed end consumer loan in excess of $860, from 18 percent to 21 percent (not applicable to loans secured by a first or second mortgage);

Melissa Calderwood

- Established 18 percent as the maximum rate of interest that may be charged on a loan secured by a first or second mortgage, if the parties to the loan agree in writing to make the loan under the Code.

In addition, finance charges under the Code were amended to:

- Delete the cap on annual fees that may be charged for the privilege of using an open ended credit account;

- Allow a creditor to charge fees on an annual or monthly basis, over limit fees, and cash advance fees on open end credit in an amount agreed to by the consumer.

The 2000 Legislature amended the Code to allow a seller to charge a prepaid finance charge in an amount not to exceed 5 percent for the purpose of reducing the interest rate on the sale of a manufactured home. Another bill (HB 2691) clarified that the interest rate on a closed end loan may be 36 percent on the first $860 financed and 21 percent on the balance of the loan which exceeds $860.

Current Legislation

HB 2143 concerns finances charges made under the Uniform Consumer Credit Code. The bill would amend the code to allow for a seller to charge an interest rate not to exceed 21 percent per year. The interest rate ceiling applies to the finance charges under the UCCC: closed end consumer credit sales; open end credit sales; and lender credit sales. Under current law, the finance charge rates are not capped and instead are subject to the rate agreed to by the parties to the transaction with established limitations on any prepaid finance charges.

HB 2145 amends several sections of the Uniform Consumer Credit Code. Provisions of the bill (related to interest rates):

- Establish a contract rate. Under current law, the rate is classified as an annual rate. Calculations utilizing the 365/365 method and the 360/360 method for the rate of the finance charge remain unchanged.

- Amend provisions for the computation of finance charges for consumer loans secured by a first or second lien real estate mortgage by creating an amortization method: contract rate divided by 360 and the resulting rate is multiplied by the outstanding principal amount and 30 assumed days between scheduled due dates. The provision allows that a creditor assume there are 30 days in the computational period, regardless of the actual number of days between the scheduled dates.

House Financial Institutions Committee

February 7, 2005

Re: House Bill 2143

Mr. Chairman and members of the Committee:

House Bill 2143 would reinstate an interest rate ceiling on certain consumer credit transactions. In order to explain the importance and need for this amendment, I must first briefly discuss the significance of the Uniform Consumer Credit Code or UCCC. The UCCC has been adopted by nine states; Kansas adopted the UCCC in 1973. The UCCC impacts a broad range of credit transactions defined by the statute as being for personal, family, or household purposes. Central to its purpose, the UCCC recognizes the inherent disadvantaged position of the consumer in terms of knowledge and understanding of financial matters and credit practices in contrast to the more sophisticated knowledge of the lender. The UCCC seeks to compensate for that unequal bargaining position between the borrower and lender by ensuring certain protections for the consumer. These protections take a variety of forms including consumer rights, lender responsibilities, and maximum interest rate ceilings.

The UCCC has and continues to serve Kansas consumers very well. In fact, I suspect the success of the UCCC in serving the purposes for which it was intended may have in a way lulled some into believing the interest rate ceilings on certain consumer transactions, namely credit sales and open end or revolving credit were no longer needed when those limitations were removed in the late nineteen nineties. Unfortunately, nothing could be farther from the truth. The elimination of the interest rate ceiling on these credit transactions is inconsistent with the existing and important ceilings now in place for closed end credit and real estate secured consumer loans. In addition, the present lack of an interest rate ceiling on open end credit or credit sales has created a gaping hole in the safety net for Kansas consumers that is at the very core of the UCCC. The absence of a rate ceiling in these transactions has, in effect, painted a bull's eye on the most vulnerable Kansas consumers, with adverse implications not only for the individual but for the Kansas economy as well.

One example of the consequences of not having an interest rate ceiling in these areas is evidenced by the activities of an out of state company, based in Georgia, which over the past several months has established a number of locations in Kansas making "title loans" at interest rates of 360% or more, secured by a lien on an individual's vehicle. The debt is structured as a revolving loan to take advantage of the present lack of an interest rate cap, the same tactic use by the company in several other states who have failed to establish a rate ceiling on an open end credit. Other states have recognized the potential devastating effect of these fringe loan products and have sought to severely restrict or eliminate them. Loan products of this nature thrive and depend on the most vulnerable consumers' lack of understanding of financial issues and their perceived desperation for credit. They trap consumers in a cycle of debt and provide only false hope for a solution to their financial problems. Advertising no credit check and loans in 15 minutes or less, loans of this nature rely on extremely aggressive, if not intimidating collection practices, and the knowledge that loaning only a fraction of the vehicle's value reduces the risk of loss. I also caution you to consider the ramifications of these loans beyond the individual consumer. If a struggling consumer can't keep pace with the mounting debt created by the extreme interest rate, his or her car is repossessed. If they don't have a car, how do they get to work? If they can't get to work to earn a living and feed their families, are they forced to seek public assistance? In that event, we all pay a price.

Opponents of this bill may attempt to justify these types of loans simply by saying that since some consumers accept them, there must a need or "niche" for them. However, in order to accept that kind of logic you would have to subscribe to the notion that since some people abuse drugs, there must also be a need for Crack houses. That's ridiculous. A common theme in consumer complaints about these products is that they did not understand the terms or potential ramifications of accepting the loan, did not receive an adequate explanation from the lender, and often feel trapped on a debt merry-go-round.

Opponents may also claim these are such high risk loans, that extreme interest rates are somehow justified, but the facts just don't support that claim. When a loan represents only a fraction of the value of the vehicle taken as collateral, how much risk is there? Certainly there are some costs associated with disposing of repossessed collateral, but when you are as prolific at repossessing as a typical title lender, I've got to believe you've worked out all the bugs and your cost are minimal. A common misconception about all small loan products is that they carry a high loss factor, however, even payday lenders in Kansas average losses of only about 2%, and similarly in Missouri those losses represent only about 5% of total loans.

As Administrator of the UCCC my goal is to strike a balance between the needs of legitimate lenders and other credit providers, and ensuring reasonable protections are in place for Kansas consumers. I believe I have been generally successful in promoting that balance as evidenced by the legislative proposals I have brought before this committee in recent years, the vast majority of which have been supported by both the credit industry and consumer groups. However, there are some loan products which by their very nature, structure, and terms, are detrimental to consumers. They prey on consumers' lack of understanding of credit issues, and are frequently fostered by marketing tactics designed more to confuse than to inform. While I've used title loans to illustrate the ramifications of not having an interest rate ceiling on open end credit, it is only one example. This bill addresses the underlying and broader necessity of ensuring the UCCC continues to safeguard consumers and foster legitimate credit products and services. I believe it is imperative for the legislature to adopt an interest rate ceiling on open end loans and credit sales this session as a critical consumer protection matter, and I urge the committee's support for this bill.

Respectfully

Kevin Glendening
Deputy Bank Commissioner
Administrator UCCC

Consumer Credit Counseling Service, Inc.

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CCCS

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(316) 265-2000

Plans That Work.... People Who Care
www.kscccs.org

February 7, 2005

Chairman Cox, House Financial Institutions Committee Members:

I am Tim Hagan, the Director of Education for the Wichita office of the Consumer Credit Counseling Service. I am here in support of House Bill 2143, a bill to cap interest rates on revolving accounts.

Our non-profit, community based agency provides personal financial management education and confidential credit counseling service for Kansas consumers from offices in Wichita and Salina with satellite offices in Hutchinson, Garden City, and Hays. Our services increase financial literacy and help Kansas consumers avoid bankruptcy through plans that help them repay their debt obligations. Many of the consumers helped through our debt management plans had been struggling to make payments on credit card accounts that had gone into "default". When default occurs, credit card contracts state that the creditor can charge interest rates currently ranging close to 30% (1). We have even seen credit card interest rates of 35% (2).

Through our counseling and education programs we helped more than 10,000 Kansas last year. Although we meet Kansans from all walks of life, a common denominator among nearly all of them is a lack of "financial literacy". Most of our clients paying off debt on our plans and many of those who attend our seminars don't have enough knowledge to make wise financial choices. Consumers in this situation deserve some measure of protection. We appreciate your interest in protecting Kansas consumers by enacting SB-509 the "Kansas Credit Services Organizations Act", effective last July. That act protects Kansans from credit counseling and debt management organizations that sometimes charge unjustifiably high fees and have placed some Kansas families in a worse financial situation than before. We believe House Bill 2143 affords a similar, if not greater, opportunity, to protect Kansas consumers.

We first became aware of the devastating impact high interest line-of-credit title loans have on Kansas consumers when we saw "Loan Max" statements from some of our credit counseling clients. A copy of one of these statements is enclosed in my information package as attachment 1. This statement appears to be for a line of credit or revolving, open ended account, not a loan with a set term. You can see that the APR 360%. To put this figure in perspective it is about 12 times the current "default" or "punitive" interest rates we are seeing in current national credit card applications and more than 10 times the highest credit card interest rate we have recall ever seeing. The original line of credit appears to be for $1,000. If you look at attachment 2 you will see an "amortization" or payback schedule for this amount **as if it were set up to be paid back by fixed monthly payments in 12 months.** You can see how punitive the high interest is to the consumer by noting that just the interest paid back over the 1-year period for the $1,000 loan is more than $2,750.

An article in the Wichita Eagle from Thursday, February 3rd stated that Loan Max had reduced their interest rates to 264% - now approximately 8 to 9 times the current credit card default rate. Attachment 3 shows the same $1,000 balance at this interest rate as if it was to be paid off in 12 equal payments. In this case the interest paid back over the 1-year period is just over $1,900 along with the original $1,000 loan balance.

House Financial Institutions
February 7, 2005
Attachment 3

Would a rational and informed consumer, even one with meager resources such as low income and with high debt, logically choose loans like those just illustrated? If this consumer knew what you now know, the answer is probably a resounding "no". First, even elementary knowledge of loan interest rates would cause alarm. The "default" credit card interest rates discussed above are for "unsecured" debt. The Loan Max program loans are secured since default means authority to repossess the consumer's automobile. Even consumers just out of a discharged bankruptcy would normally be charged about 1/10th the interest charged by the lower of the two Loan Max figures for a car loan (3). Normally, interest rates for secure debt like mortgages and car loans are lower than rates for debt such as credit cards that is not "secured".

Second, is the example payment schedule. The consumer would realize that if he or she tried to make 12 equal payments on the $1,000 loan at 360% APR, the original balance would be paid off in just over 3 payments and most of the 4th payment and all of the remaining 8 payments would equal the interest charge of $2,760. At 264%, the original $1,000 is paid back in just over 4 months and most of the 5th payment and all the remaining 7 payments equal the interest charge of $1,907. Third, this same consumer, assuming meager resources, would also realize he or she would not be able to pay off the line of credit and would likely lose his or her automobile.

Even a person in dire financial straits has better options. Without knowing a specific situation, it's hard to name options but two scenarios come to mind. One would be selling the car and retaining the equity as cash vs. making a few payments and then experiencing repossession. Even bankruptcy is probably a better choice than loans at those interest rates and likely repossession.

Given that Loan Max interest rates are at least 10 times normal market interest rates, even for those with "sub-prime" credit, it is logical to conclude they are for a purpose other than providing a consumer service. I think it would be vital for the committee to know the percentage of Loan Max customers who actually pay off their line-of credit loans along with the percentage of their customers who lose their cars to repossession.

In closing, we again appreciate this opportunity to appear before you today.

References:

(1) Credit card default rates are often determined by adding a given interest rate to the current prime rate. Today the prime rate is 5.5%. A recent Sears (Citicorp) card application adds 22.15% resulting in a 27.65% default rate. A recent AT & T Universal (Citicorp) adds 23.99% resulting in a 29.49% default rate. I have received a national card application with a stated default rate of 29.99%. The 29.99% rate is also in a www.Bankrate.com article "Pay one bill late, get punished by many" by Bill Weston.
(2) The 35% rate is from an "Aspire" card statement seen by CCCS Executive Director, Jeff Witherspoon.
(3) Post-bankruptcy auto loan rate of 21% as reported in an MSN Money article "Bounce Back Fast After a Bankruptcy" by Liz Pulliam Weston.

Attachment

Account Number	New Balance As of 10/15/2004	1295.75
[redacted]	Minimum Payment Due	395.75
	Past Due Amount	0.00
	Payment Due Date	10/30/2004
	Amount Enclosed	$

[redacted]
WICHITA, KS [redacted]

PLEASE COMPLETE AND ENCLOSE TOP PORTION OF STATEMENT FOR PROPER CREDIT
MAKE PAYMENT TO

ANDERSON FINANCIAL SERVICES, LLC LOAN MAX
601 NORTH WEST STREET #501
WICHITA, KS 67203

ACCOUNT NUMBER	CREDIT LIMIT	AVAILABLE LIMIT	DAYS IN BILLING CYCLE	BILLING CYCLE CLOSE DATE	PAYMENT DUE DATE	MINIMUM PAYMENT DUE
[redacted]	1250.00	0.00	30	10/15/2004	10/30/2004	395.75

DATE OF TRANS POST	REFERENCE NUMBER	CHARGES, PAYMENTS AND CREDITS SINCE LAST STATEMENT	AMOUNT
10/15/2004	[redacted]	Finance Charge	295.89
09/30/2004		Regular Payment	25.00

AVERAGE DAILY BALANCES	DAILY PERIODIC RATE	CORRESPONDING ANNUAL PERCENTAGE RATE	PERIODIC FINANCE CHARGE	TRANSACTION FEES FINANCE CHARGE	ANNUAL PERCENTAGE RATE
1000.00	0.986301	360	295.89	0.00	360

ACCOUNT SUMMARY	
PREVIOUS BALANCE	1024.86
OTHER FEES +	0.00
CASH ADVANCES +	0.00
CREDITS -	0.00
PAYMENTS -	25.00
OTHER CHARGES +	0.00
FINANCE CHARGES +	295.89
NEW BALANCE AS OF 10/15/2004 +	1295.75

Send Inquiries to: ANDERSON FINANCIAL SERVICES LLC LOAN MAX
601 NORTH WEST STREET #501 WICHITA, KS 67203
Telephone Number: 316/943-6621L

3-3

AMORTIZATION SCHEDULE FOR $1,000 BORROWED AT 360% APR FOR 12 MONTHS

Principal:	$1,000	Payments per Year:	12
Annual Interest Rate:	360%	Number of Regular Payments:	12
Balloon Payment:	39 cents	Payment Amount:	$313.45

Principal borrowed: $1000.00
Annual Payments: 12 **Total Payments:** 13
Annual interest rate: 360.00% **Periodic interest rate:** 30.0000%
Regular Payment amount: $313.45 **Final Balloon Payment:** $0.39

The following results are estimates which do not account for values being rounded to the nearest cent. See the amortization schedule for more accurate values.
Total Repaid: $3761.79
Total Interest Paid: $2761.79
Interest as percentage of Principal: 276.179%

Pmt	Principal	Interest	Cum Prin	Cum Int	Prin Bal
1	13.45	300.00	13.45	300.00	986.55
2	17.49	295.96	30.94	595.96	969.06
3	22.73	290.72	53.67	886.68	946.33
4	29.55	283.90	83.22	1170.58	916.78
5	38.42	275.03	121.64	1445.61	878.36
6	49.94	263.51	171.58	1709.12	828.42
7	64.92	248.53	236.50	1957.65	763.50
8	84.40	229.05	320.90	2186.70	679.10
9	109.72	203.73	430.62	2390.43	569.38
10	142.64	170.81	573.26	2561.24	426.74
11	185.43	128.02	758.69	2689.26	241.31
12	241.06	72.39	999.75	2761.65	0.25
13	*0.25	0.07	1000.00	2761.72	0.00

*The final payment has been adjusted to account for payments having been rounded to the nearest cent.

These figures are taken from a loan calculator written by Bret Whissel, a computer systems administrator at Florida State University.
http://ray.met.fsu.edu/~bret/amortize.html

AMORTIZATION SCHEDULE FOR $1,000 BORROWED AT 264% APR FOR 12 MONTHS

Principal:	$1,000	Payments per Year:	12
Annual Interest Rate:	264%	Number of Regular Payments:	12
Balloon Payment:		Payment Amount:	$242.28

Principal borrowed: $1000.00
Annual Payments: 12 **Total Payments:** 12
Annual interest rate: 264.00% **Periodic interest rate:** 22.0000%
Regular Payment amount: $242.28 **Final Balloon Payment:** $0.00

The following results are estimates which do not account for values being rounded to the nearest cent. See the amortization schedule for more accurate values.
Total Repaid: $2907.36
Total Interest Paid: $1907.36
Interest as percentage of Principal: 190.736%

Pmt	Principal	Interest	Cum Prin	Cum Int	Prin Bal
1	22.28	220.00	22.28	220.00	977.72
2	27.18	215.10	49.46	435.10	950.54
3	33.16	209.12	82.62	644.22	917.38
4	40.46	201.82	123.08	846.04	876.92
5	49.36	192.92	172.44	1038.96	827.56
6	60.22	182.06	232.66	1221.02	767.34
7	73.47	168.81	306.13	1389.83	693.87
8	89.63	152.65	395.76	1542.48	604.24
9	109.35	132.93	505.11	1675.41	494.89
10	133.40	108.88	638.51	1784.29	361.49
11	162.75	79.53	801.26	1863.82	198.74
12	*198.74	43.72	1000.00	1907.54	0.00

*The final payment has been adjusted to account for payments having been rounded to the nearest cent.

These figures are taken from a loan calculator written by Bret Whissel, a computer systems administrator at Florida State University.
http://ray.met.fsu.edu/~bret/amortize.html

El Centro, Inc.

The Center for Continuous Family Improvement

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www.ElCentroInc.com

The Academy for Children
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Academy for Children, Donnelly College
608 North 18th Street
Kansas City, KS 66102
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Overland Park, KS 66212
913-381-2861
913-381-2914 fax

Macías-Flores Family Center
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Kansas City, KS 66102
913-281-1186
913-281-1259 fax

Woodland Hills, Inc.
1012 Forest Court
Kansas City, KS 66103
913-362-8155
913-362-8203 fax

NeighborWorks CHARTERED MEMBER

NCLR

February 7, 2005

Chairman Cox and Honorable Members of the House Financial Institutions Committee,

El Centro, Inc. wishes to state our strong support for HB2143, which would establish a rate cap of 21% annually for car title loans and other similarly structured credit transactions. While we certainly respect the right of these companies to operate in Kansas, we are concerned about the current rates of interest charged to consumers and about the effects of very high-cost credit on low-income families and communities.

A quick review of the phone book in the Kansas City metropolitan area reveals more than 38 locations for title loans, offering individuals loans ranging from $100-$3000 against the value of their car. While none of the operations advertise their fees and interest rates, a review of the agreements entered into by El Centro clients and our informal survey of title loan shops reveal annual percentage rates (APR) ranging from 243% to 612%, with most hovering around 300-360% APR. Proponents of these rate structures often argue that car title loans are never intended to be held for a year and that, therefore, it shouldn't matter what the APR is. In fact, the high rates charged to title loan consumers create a dynamic where borrowers cannot pay off their loans in the short time period imagined and, instead, have to rollover or reauthorize their loans, with accompanying increases in fees and continuing interest.

Like credit cards, then, many title loans function as longer-term sources of credit, as borrowers struggle to pay off the principal and free themselves from the debt. Unlike credit cards or payday loans, though, car title loans are of course secured loans, in most cases made only up to 25% of the *Blue Book* value of the borrower's automobile. Despite not taking on unsecured debt, car title loan companies in Kansas currently have no limit on the amount of interest they can charge to their consumers, many of whom are unfamiliar with the complexities of the U.S. financial system and unsophisticated in their understanding of credit and its true costs. Fueled by their high profits, title loan companies can afford to advertise aggressively, reaching out to limited English proficient, fixed income, and other low-income consumers. When customers enter into a credit agreement of this type, though, the lender is not constrained by any law limiting abusive rates.

El Centro, Inc. will continue our education with these consumers and to facilitate connections between low-income communities and more traditional financial institutions. We work to construct nontraditional credit histories for first-time borrowers to prove their creditworthiness and access lower-cost loans. We will also recognize that payday lenders, pawn shops, and title loan companies can serve a role within low-income communities, meeting short-term credit needs, but we remain convinced that responsible legislation and effective regulation of

Mission Statement: The purpose of El Centro and its subsidiaries is to create and sustai this industry are essential to prevent and detect the predatory operators who seek to exploit both our system and their own consumers. We believe that HB2143, while still allowing title lenders to make a profit and operate within the state, levels the playing field in respect to other types of lenders and protects the most vulnerable consumers.

Most sincerely,

Melinda K. Lewis

Melinda Lewis
Director of Policy Advocacy and Research
El Centro, Inc.

GACHES, BRADEN, BARBEE & ASSOCIATES
PUBLIC AFFAIRS & ASSOCIATION MANAGEMENT

825 S. Kansas Avenue, Suite 500 • Topeka, Kansas 66612 • Phone: (785) 233-4512 • Fax: (785) 233-2206

House Financial Institutions Committee
Hearing on HB 2143 – UCCC Finance Charges
Testimony of Kansas Association of Financial Services
Submitted by Ron Gaches
Gaches, Braden, Barbee & Associates
Monday, February 7, 2005

Thank you Chairman Cox for this opportunity to speak on behalf of the Kansas Association of Financial Services and express our concerns about the provisions of HB 2143. KAFS is the Kansas affiliate of the American Financial Services Association. KAFS members are both small and large consumer finance companies, including some of the largest and most diversified financial services firms in the world.

KAFS members oppose enactment of interest rate caps in the consumer lending market.

Deregulation of interest rates has allowed consumer finance and mortgage companies the ability to more accurately price risk, allowing consumers with outstanding credit histories to benefit from lower interest rates and allowing consumers who previously were denied credit viable options in the marketplace. The result is more money in the marketplace, making available more credit to individuals who previously were denied access.

KAFS lenders and their financial services peers provide the financing for a wide range of credit transactions including; consumer loans for household appliances, home mortgages and home equity loans, new and used auto purchases, college loans and personal loans for everything from vacations, medical bills and holiday purchases.

They provide these services in a regulated environment run by the Kansas Bank Commissioner's Office. Notwithstanding the current discussion about deregulation of interest rates, the industry remains heavily regulated. The Kansas Uniform Consumer Credit Code and regulations govern everything from:

- Loan origination fees
- Prepayment penalties
- Security of borrowers' personal information
- Late payment penalties
- When a fee can or cannot be charged for various administrative services
- Audit authority of the Bank Commissioner's Office
- Commissioner's access to lenders' files
- Qualification of licensed lenders
- And much, much more

Clearly, this is not a deregulated industry. It is heavily regulated and the Commissioner's Office has a wide array of tools available to ensure compliance. Violations of the Kansas UCCC and regulations can result in civil penalties of up to $5,000 per violation, cease and desist orders, negotiated settlements, and revocation of the lenders license.

Such revocations are extreme, but not uncommon. Each Friday the Division of Consumer and Mortgage Lending posts a list of firms that are not authorized to conduct business in Kansas. Last Friday the list of firms whose license had been revoked, suspended or denied was nearly 200 long.

My point is simply that the Division of Consumer and Mortgage Lending has the authority to ensure that companies are good operators and it regularly exercises that authority.

Now, as to the interest rate caps themselves. As I said before, a deregulated interest rate attracts credit to the Kansas market. Obviously, not a very large share of the loans made in Kansas would be directly impacted by the proposed interest rate cap. The vast majority of loans have interest rates below the proposed caps. Instead, the direct affect of the cap would fall most heavily on those who are least able to secure credit in the traditional bank and credit union markets.

Not all consumers have good credit. Not all consumers have a checking account. Not all consumers have the ability to comparison shop from a wide variety of banks to satisfy their credit needs. It's not because they don't want to, it's because they are viewed as bad credit risks by traditional bankers whose risk tolerance is historically low.

Just because an individual has a credit record that traditional banks view as undesirable or doesn't have a bank account doesn't mean the State of Kansas should prevent them from obtaining financial credit if they need it. Those occasions might include a personal loan to repair their automobile or home, emergency travel due to a family illness, unexpected hospital or school expenses, vacation travel or even Christmas shopping.

Generically, these higher-risk consumers are referred to as the subprime market. They have real and legitimate needs in the marketplace. The State of Kansas does not need to paternalistically look over their shoulder and make the decision whether they should obtain a loan or not. The State of Kansas does not need to play big brother.

The Kansas legislature made the decision in 1999 to remove the cap on interest rates as part of a comprehensive updating of the UCCC. Since that time the Kansas consumer market has grown significantly and consumers who previously did not have credit available now do.

So what happens if the caps on interest rates are returned? Will consumers suddenly qualify for lower risk loans? Maybe a few of them will, but many of them will not. When they need credit they will look for money from high-fee, payday loan shops, consumer credit offices in neighboring states, and backroom loan shops that aren't regulated by the state. Who wins then?

I urge you to maintain the current deregulated market for interest rates and allow Kansans to continue to receive the benefits of a competitive market.

The KANSAS BANKERS ASSOCIATION
A Full Service Banking Association

Date: February 7, 2005

To: House Financial Institutions Committee

From: Doug Wareham, Vice President-Government Affairs

Re: H.B. 2143

Mr. Chairman and members of the Committee, I am Doug Wareham appearing on behalf of the Kansas Bankers Association (KBA). KBA's membership includes 360 Kansas banks, which operate more than 1,300 banking facilities in 440 towns and cities across the state. KBA appreciates the opportunity to appear before this committee. We are opposed to this bill as it is currently drafted.

While the motivation for this legislation has been explained to us by the Office of the State Bank Commissioner, it is our position that in its current form, this bill goes beyond the scope of what is necessary to pinpoint the creditors the Commissioner's office is seeking to address. Furthermore, we believe it is critical that this committee realize adoption of H.B. 2143, in its present form, will undo legislation adopted in 1999 by the Kansas Legislature. In 1999, then Senate Bill 301, which also amended the Uniform Consumer Credit Code (UCCC), was adopted with respective votes of 118 to 6 in the Kansas House and 39 to 1 in the Kansas Senate and was later signed into law by then Governor Bill Graves.

While I was not present during the debate of S.B. 301, I know there were several changes made to the UCCC at that time to strengthen the powers of the State Banking Commissioner in order to combat deceptive practices of out-of-state credit companies. I am also keenly aware that one of the policy decisions made at that time was the removal of interest rate caps for Kansas based credit card operations, a move that both then and now impacts the lone remaining credit card operation in Kansas, which is housed by Intrust Bank in Wichita, Kansas.

To provide a bit of historical perspective, I've pulled some of the comments from my predecessor, Mr. Chuck Stones, who appeared in 1999 before this very committee.

"The need for this change is dramatically demonstrated by the case of Intrust Bank and their credit card operation. Kansas used to be the home to 5 or 6 substantial credit card operations. However, the business climate for credit card operations is so bad, (ranked last in the nation in 1995) that number has been reduced to one. We are now facing the very real possibility that the number will be zero if SB 301 does not pass. This is not a threat or something held over the heads of the legislature, but simply a business decision being made by Intrust Bank in order to compete with the other credit card companies for business in Kansas." – *Chuck Stones, KBA Director of Research - 1999*

While those comments were made seven years ago, they still ring true today. Kansas continues to be home to only one credit card operation and that lone operation continues to be Intrust Bank's in Wichita, Kansas. Had Kansas not changed its policy with respect to rate caps for credit card operations in 1999,

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I'm confident the number of credit card operations in Kansas would now be zero and if the legislature chooses to undo that policy now, I'm equally confident Intrust Bank will simply look to another state, most likely Nebraska, to house its credit card operation.

To address our concerns, we have offered a balloon amendment, which provides for an exception for credit card lenders from the rate cap proposed in H.B. 2145. Our amendment also proposes a floating rate cap in lieu of the flat 21% cap currently proposed in this bill. The proposed 21% cap was reviewed by bankers serving on our State Affairs Committee and it was expressed that while we may have become used to the low rates we are experiencing today, one does not have to look back any farther than the 1980's to find a period where a flat 21% rate cap would have been problematic.

In conclusion, I would simply state that KBA understands that changes to the UCCC may be necessary from time to time to ensure consumer protection and to address changes in the financial marketplace. However, we simply believe the changes in this bill go beyond what is necessary to address the Commissioner's true concerns and if adopted in its present form will potentially drive business from Kansas. We respectfully ask that you adopt our amendment if you choose to move forward with H.B. 2143.

Once again, thank you for the opportunity to express our concerns regarding this bill, as currently written. I would be happy to stand for questions.

Kansas Bankers Association
Proposed Amendments to HB 2143

HOUSE BILL No. 2143

Sec. 3. K.S.A. 2004 Supp. 16a-2-401 is hereby amended to read as follows: 16a-2-401. (1) For any consumer loan incurred pursuant to open end credit, ***excepting*** ~~including, without limitation~~, a loan pursuant to a ~~lender~~ credit card ***issued by a supervised financial organization***, a lender may ~~charge~~ *contract for and receive* a finance charge ~~at any rate agreed to by the parties~~ *not to exceed 21% per annum* ***or 5% above the contract rate set forth in K.S.A. 16-207(b), and amendments thereto, whichever is greater,*** subject, ~~however,~~ to the limitations on prepaid finance charges set forth in subsection (6). ***For any consumer loan incurred pursuant to a credit card issued by a supervised financial organization, a lender may contract for and receive a finance charge at any rate agreed to by the parties.*** This subsection does not apply to a consumer loan secured by a first mortgage or a second mortgage.

(2) For any consumer loan incurred pursuant to closed end credit, a lender may charge a periodic finance charge, calculated accordingly to the actuarial method, not to exceed: (a) 36% per annum on the portion of the unpaid balance which is $860 or less, and (b) 21% per annum on the portion of the unpaid balance which exceeds $860, subject, however to the limitations on prepaid finance charges set forth in subsection (6). This subsection does not apply to a consumer loan secured by a first mortgage or a second mortgage.

(3) For any consumer loan secured by a second mortgage or a consumer loan secured by an interest in a manufactured home as defined by 42 U.S.C. 5402(6), a lender may charge a periodic finance charge, calculated according to the actuarial method, not to exceed 18% per annum, subject, however to the limitations on prepaid finance charges set forth in subsection (6). This subsection does not apply if the lender and the consumer agree in writing that the finance charge for the loan is governed by K.S.A. 16-207(b), and amendments thereto.

(4) If the parties to a consumer loan secured by a first mortgage or a consumer loan secured by an interest in a manufactured home as defined by 42 U.S.C. 5402(6) agree in writing to make the transaction subject to the uniform consumer credit code, then the periodic finance charge for the loan, calculated according to the actuarial method, may not exceed 18% per annum, subject, however to the limitations on prepaid finance charges set forth in subsection (6).

(5) This section does not limit or restrict the manner of calculating the finance charge, whether by way of add-on, discount or otherwise, so

BRAD SMOOT

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STATEMENT OF BRAD SMOOT
LEGISLATIVE COUNSEL FOR LOANMAX
HOUSE FINANCIAL INSTITUTIONS COMMITTEE
REGARDING 2005 HOUSE BILL 2143
February 7, 2005

Mr. Chairman and members:

On behalf of LoanMax, we are pleased to have an opportunity to appear in opposition to 2005 House Bill 2143. We appreciate the Committee's willingness to hear both sides of this issue, for there are, indeed, two sides to the story of credit availability and lending practices in Kansas. LoanMax operates successfully in a highly regulated environment in nineteen other states. We are new to Kansas, having opened four licensed stores since June of 2004. We are eager to cooperate with the Kansas Banking Department and operate in accord with all laws and regulations of the state.

We have our President and General Counsel here to confer with you and have asked our managers and some of our customers to visit with you also. We want you to get a true picture of the service we provide, the folks we serve and the value we add to the overall Kansas credit scene. We, like other lending institutions, make consumer loans under the Uniform Consumer Credit Code (UCCC), enacted and amended from time to time by the Kansas Legislature. The proposal before you today, contained in HB 2143, would reverse the policy decision made in 1999 removing interest rate caps on open ended credit. We believe the decision made in '99 was correct. Current law guarantees the continuing availability of credit to consumers up and down the economic scale. For low and middle income folks or people with impaired credit histories, HB 2143 fails miserably in this regard.

We have provided the Committee with a copy of a lengthy article by the Federal Reserve Bank of Chicago, entitled "Controlling Interest – Are ceilings on interest rates a good idea?" The article makes several points that are worthy of your consideration. We quote as follows:

- No one wants to pay more interest than is necessary when they use credit.
- On the surface, capping interest rates seems to be perfectly logical.
- However, interest rate ceilings can have unintended consequences.
- Establishing a lower-than-market interest rate by means of a usury ceiling will also bring about a decrease in the quantity of credit supplied.
- Like any other business, if a lender does not recoup its costs and earn an adequate return on its resources, it will put those resources to work elsewhere.
- Many of the strategies lenders are likely to follow in a 'credit crunch,' such as setting rigid loan terms, screening borrowers more rigorously, or increasing non-

interest fees and charges, tend to concentrate the impact of usury ceilings on certain borrowers.
- Basing lending decisions heavily on individual characteristics, such as borrowing history or income, without the flexibility of adding risk premiums, can ration credit away from new or high-risk consumers who might be willing to pay higher-than-ceiling rates.
- Low-priced credit is not useful to those who cannot meet the requirements for obtaining it.

The Legislature has charged the UCCC administrator with the duty "to assure an adequate supply of credit to consumers." See K.S.A. 16a-1-102. In about seven months, LoanMax has made nearly 7,000 loans in Kansas, suggesting that there is a pent-up need for small consumer loans. HB 2143 would close our four stores and eliminate twenty jobs; discourage other lenders from entering the small high risk loan market and effectively deny credit access to your constituents at the lower and middle range of the economic scale.

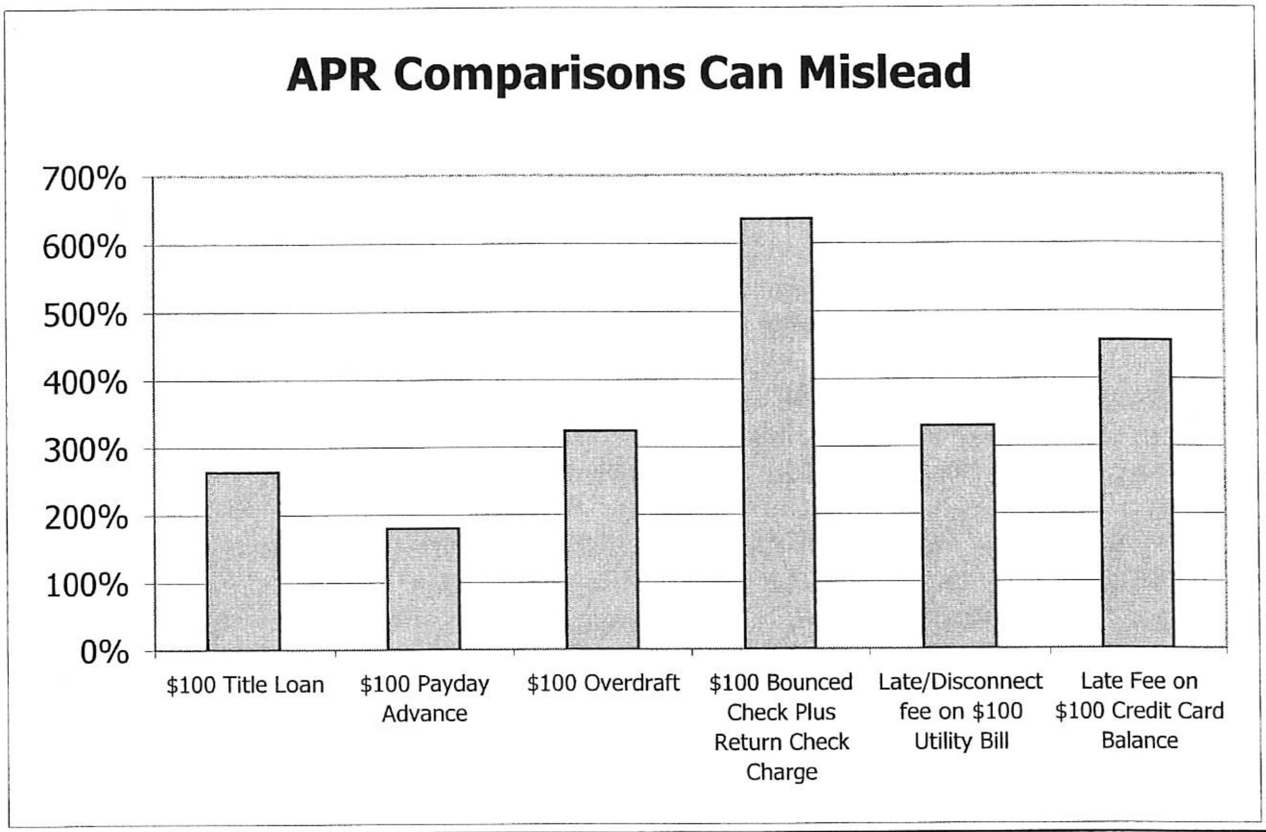
Much has been said by proponents about the size of our annual percentage rate or APR. Currently, we charge 22% per month interest or 264% APR. But these are small short term loans which are not intended to continue for a year. They are not comparable to 30 year home mortgages or 60 month new car loans. And the constant focus on this issue is misleading. It would be more accurate to compare our costs to other short term obligations which are currently allowed by Kansas law. Attached is a table we developed from actual finance charges. Exhibit A. As you can easily see, our rates compare very favorably and give you a much more useful comparison.

Finally, proponents of price controls, which, of course are what interest rate caps represent, have said publicly that we are taking advantage of people "ignorant" of interest rates. It is probably not surprising that both LoanMax and our customers take exception to that characterization. Many of our customers are not members of the "good credit club." They don't have home equity lines of credit. They don't have 0% interest credit cards and, despite what the proponents suggest, they may not have "friends and family" they can or want to borrow from. They just have ordinary cash flow needs like many of us have had from time to time. Our customers are adults. They have life experiences. Exhibit B. We tell them how much the loan will cost. We tell them it is high interest. We encourage them to consider less expensive lending opportunities. We encourage them to pay the loan quickly. See disclosures, attached. Exhibit C & D. We don't want unhappy customers. Frankly, for every complaint you may have heard about our loan rate, there are a thousand customers who appreciate our service, who return as customers and will be harmed if we are driven from the market by the unrealistic rate caps contained in HB 2143. You will hear from our managers and customers who can more fully articulate this issue.

If you bought a can of oil from Sam's Club and one from a Topeka convenience store, the convenience store can would cost considerably more – 2.5 times more (I checked). But maybe you needed it. Probably it was convenient. And you didn't have to be a member of "the club" to purchase it. Few among us would suggest that we should put price controls on motor oil, or suggest that people are "ignorant" when buying from a convenience store or that the oil should have come from "family or friends." However, when it comes to banking issues, there seem to be some who think that the market place can't work; that some people shouldn't have choices; that a one-size-fits-all interest rate is more important than making sure that all our citizens, not just the members of the "good credit club," have the opportunity to clear their small short-term financial hurdles and manage their own financial affairs.

We think the Legislature made the right decision directing the UCCC administrator to "assure an adequate supply of credit to consumers" and that the 1999 Kansas Legislature was correct in letting the marketplace determine what that credit should cost. Ironically, it is the borrowers that you are most concerned about who will be harmed by HB 2143. For many of them, their financial solutions will disappear. Their choices will be gone. We urge the Committee to think long and hard about the "unintended consequences" of this legislation and focus on the whole banking and credit picture in Kansas; not just an interest rate. Thank you.

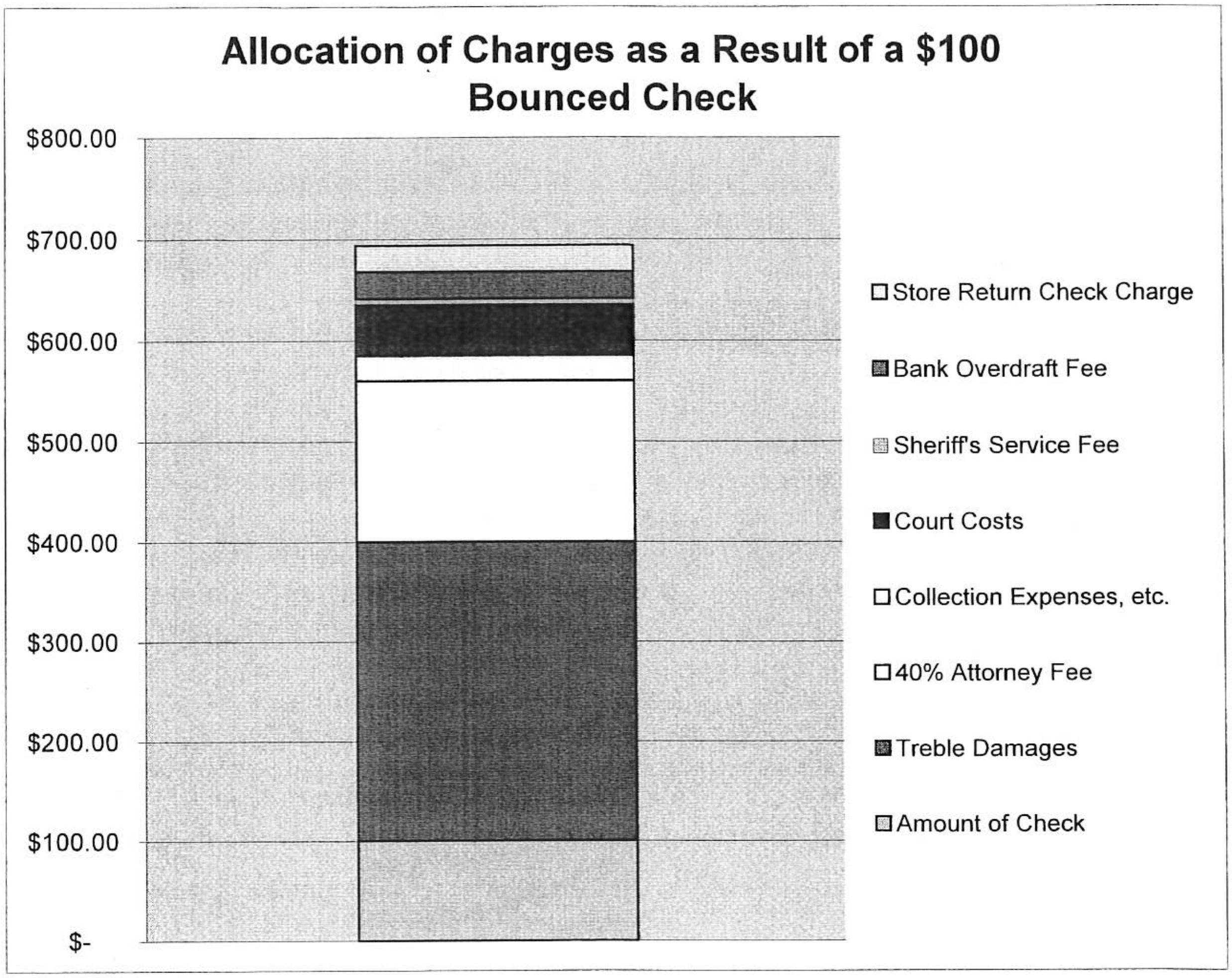
Exhibit A



	$100 Title Loan	$100 Payday Advance	$100 Overdraft	$100 Bounced Check Plus Return Check Charge	Late/Disconnect fee on $100 Utility Bill	Late Fee on $100 Credit Card Balance
Fee or interest	$22.00	$15.00	$27.00	$53.00	$27.50	$38.00
APR	264%	180%	324%	636%	330%	456%

Prepared by LoanMax Calculations based on a thirty-day cycle February 7th, 2005

Exhibit B



Summary of Charges as a result of a $100 bounced check

$ 100.00	amount of check
300.00	Treble damages
160.00	40% attorney fee
25.00	Collection expense, certified mial, copies, faxes, etc.
51.00	Court costs
5.00	Sheriff's service fee
27.00	Bank overdraft fee
26.00	Store return check charge
$ 694.00	Total

Prepared by LoanMax

February 7, 2005

Exhibit C

LoanMax
3601 SW Topeka Blvd.
Topeka, KS 66611
785-266-2740

SAMPLE

THIS IS A HIGH INTEREST LOAN. HAVE YOU CONSIDERED OTHER BORROWING OPTIONS? INTEREST IS CALCULATED AND INCLUDED IN YOUR OBLIGATION DAILY. YOU ARE ENCOURAGED TO PAY THE BALANCE AS SOON AS POSSIBLE.

____
Customer

Exhibit D

ADDITIONAL DISCLOSURE

SAMPLE

DATE ____________

AMOUNT OF CASH ADVANCE	400.00
AMOUNT OF INTEREST CHARGED ON A DAILY BASIS BASED ON THE AMOUNT OF THE INITIAL CASH ADVANCE	2.89
AMOUNT OF INTEREST CHARGED ON A 30-DAY BASIS BASED ON THE AMOUNT OF THE INITIAL CASH ADVANCE	86.79
ANNUAL PERCENTAGE RATE	264

BORROWER

EMPLOYEE

CO-BORROWER

LoanMax

Rod Aycox

Business Presentation
Financial Institutions Committee

February 7, 2005

House Financial Institutions
February 7, 2005
Attachment 8

House Financial Institutions
February 7, 2005
Attachment 8

LoanMax

Business Presentation
Financial Institutions Committee

February 7, 2005

8-3

OUR BUSINESS

- What are we ?
  - Direct Open End lender to
    - Consumers
    - Secured by lien
    - On a clear vehicle title
  - 4 Stores in Kansas with 20 Employees
  - Operate during normal business hours
  - Extensive employee screening & training
  - 6,900 Advances in the first 7 months
  - 2,800 Loans served by Missouri stores

Fully licensed with a Supervised Lender License, and in good standings with the Office of the State Banking Commissioner in Kansas

8-3

8-4

OUR CUSTOMER

- R.L. Polk conducted a nationwide demographic analysis of the industry and profiled the customers (Exhibit A)
  - Income
  - Age
  - Length of residence
  - Credit card usage

8-4

WHY CUSTOMERS COME TO US

- Simplicity
  - Simple rate structure
- Accessibility
  - $100 minimum credit line
  - No minimum length of time on job
  - No tax return documentation for self employment
  - No minimum length of time at residence
  - No minimum credit history
- Speed
  - 15 to 20 minute transaction

WHY CUSTOMERS COME TO US (contd.)

- Lack of Intrusiveness
  - No Credit Bureau or reporting
- Limitation of Personal Liability
  - Vehicle only exposure
  - No deficiency balance judgements
  - No excess sale proceeds kept by lender
  - Repossession rates under 5%

Conventional Financial Institutions Leaving Large Unmet Consumer Needs On The Table

8-7

OUR PRODUCT

- PRODUCT CHARACTERISTICS
  - Open End loan contract
  - Monthly Billings with 25 Day Grace Period
  - 20% Cash Advance Fee
  - 22% Periodic Rate(264% APR)
  - 89 Day Avg advance term
  - $10 Annual Fee
  - Credit line based on
    - Collateral value
    - Ability to repay

- TYPICAL LOAN PURPOSE
  - Christmas
  - Vacations
  - Home repair
  - Auto repair
  - Self employed tradesman
  - Medical Expenses
  - Insurance settlement anticipation
  - Moving/Relocation Costs

Borrowers Are Rational And Make Sound Economic Decisions

8-8

ISSUES/RATES

- These are small balance transactions averaging $300-$400, which are costly to service
- Loss ratios are high
- Most banks & consumer finance companies don't provide these services…but when they do…rates are consistently high
  - Example: Tax Refund Loans (120% - 774% APR)
    Home Equity Loan(Exhibit B)

Rates Charged Consistent With Banks For Similar Loans

8-8

ISSUES: DISCLOSURE/COMPLIANCE

- Our contract
  - Full and prominent disclosure of APR and finance charges consistent with all State and Federal Statutes
  - No prepay penalties
  - No hidden fees
  - No sundry product offerings
  - No interest on interest
  - Reminder to Borrower Notice (Exhibit C)
  - National Customer Support Line

LoanMax goes beyond State/Federal disclosure requirements

ISSUES: DEBT BURDEN

- LoanMax customers are knowledgeable regarding loan arrangement and conscious of implications
- No multiple loans or loan layering
- LoanMax does not generally lend to military
- Actively work with consumer credit counseling services
- LoanMax does not pursue deficiency balances other than for fraud

Nobody Wins By Pushing Borrowers Towards Bankruptcy

ISSUES: AUDIT CONTROLS

- State Audits
  - State Banking Commissioner's Office in Kansas has audited 3 of the 4 locations during the summer of 2004
  - No negative comments received to date
- Internal Audits
  - LoanMax has continual and ongoing internal audits
- CPA Audits
  - Outside audit firm performs customer loan audits 4 times per year
- Customer Complaints (Exhibit D)

LoanMax Is Audited On Several Fronts To Insure Full Compliance With State And Federal Laws

8-12

CUSTOMER TESTIMONIES

LoanMax Prides Itself on Offering Outstanding Products and Customer Service

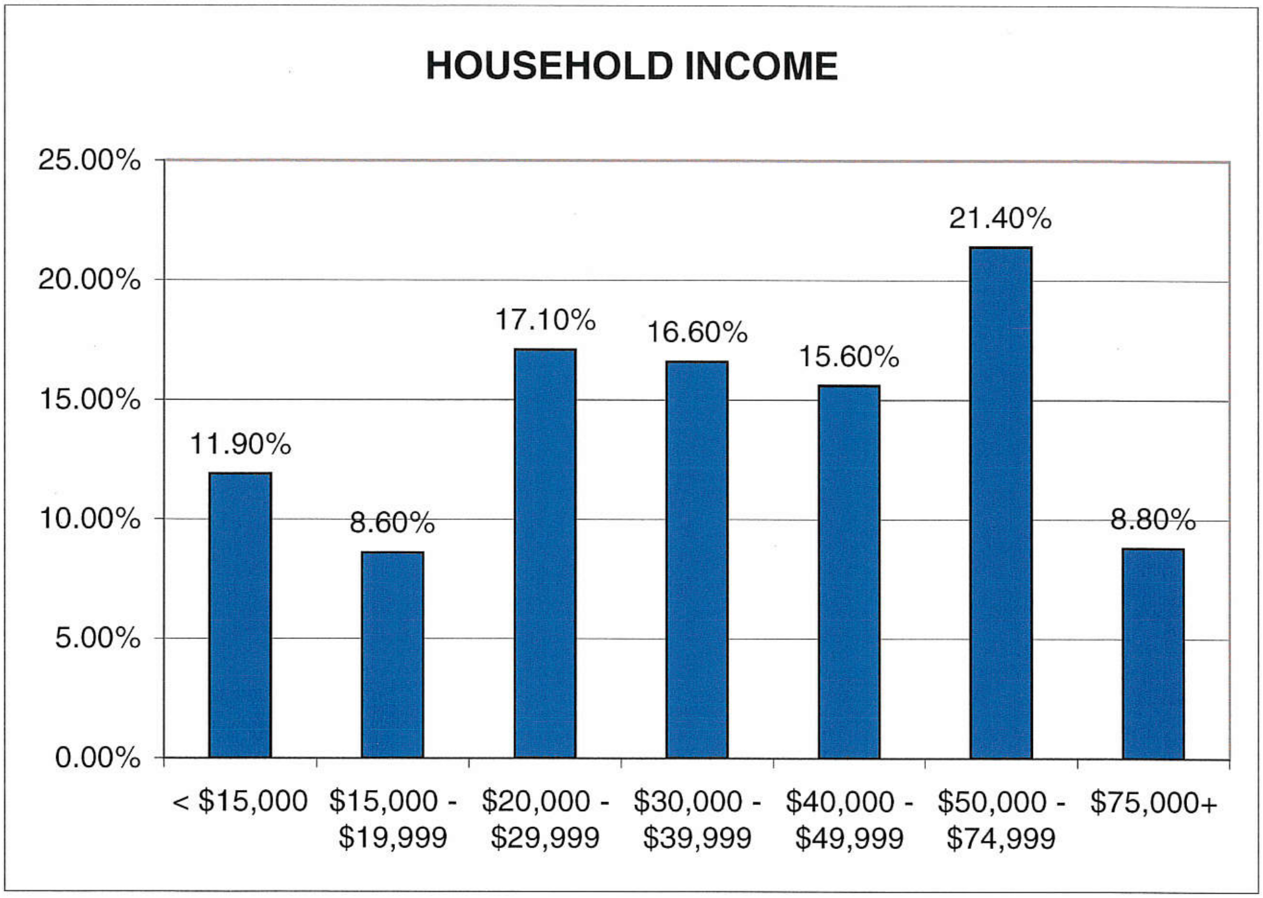
- "Thanks to being able to acquire a loan from LoanMax, I am able to travel to a temporary job to a living and save some money" Harry White-Aircraft Mechanic, Salina, KS
- "When I needed money to get my vehicle fixed in a rush, they (LoanMax) were there for me. Thank you LoanMax for the convenience and kindness" Sean Bruce-Welder, Salina, KS
- "When an unexpected emergency came up, I saw the commercial for LoanMax. In fifteen minutes I had the money I needed and my worries were over. Thank you LoanMax!" Amee Beckstrom-Retail Pricing, Wichita, KS
- "When I was in the need for a quick loan, LoanMax was there for me. I was treated very well and felt comfortable about the whole process" Cal Field-Driver, Lawrence, KS
- "I wish there were more businesses like LoanMax around. They treat me like family and were there for me when I needed help" Janice Semple-Counselor, Topeka, KS

8-12

CONCLUSIONS

- LoanMax customers make rational economic decisions
- LoanMax customers come from diverse income, age and credit groups
- LoanMax interest rates are consistent with banks that deal in high transaction low balance lending
- LoanMax provides positive economic impact

EXHIBIT A



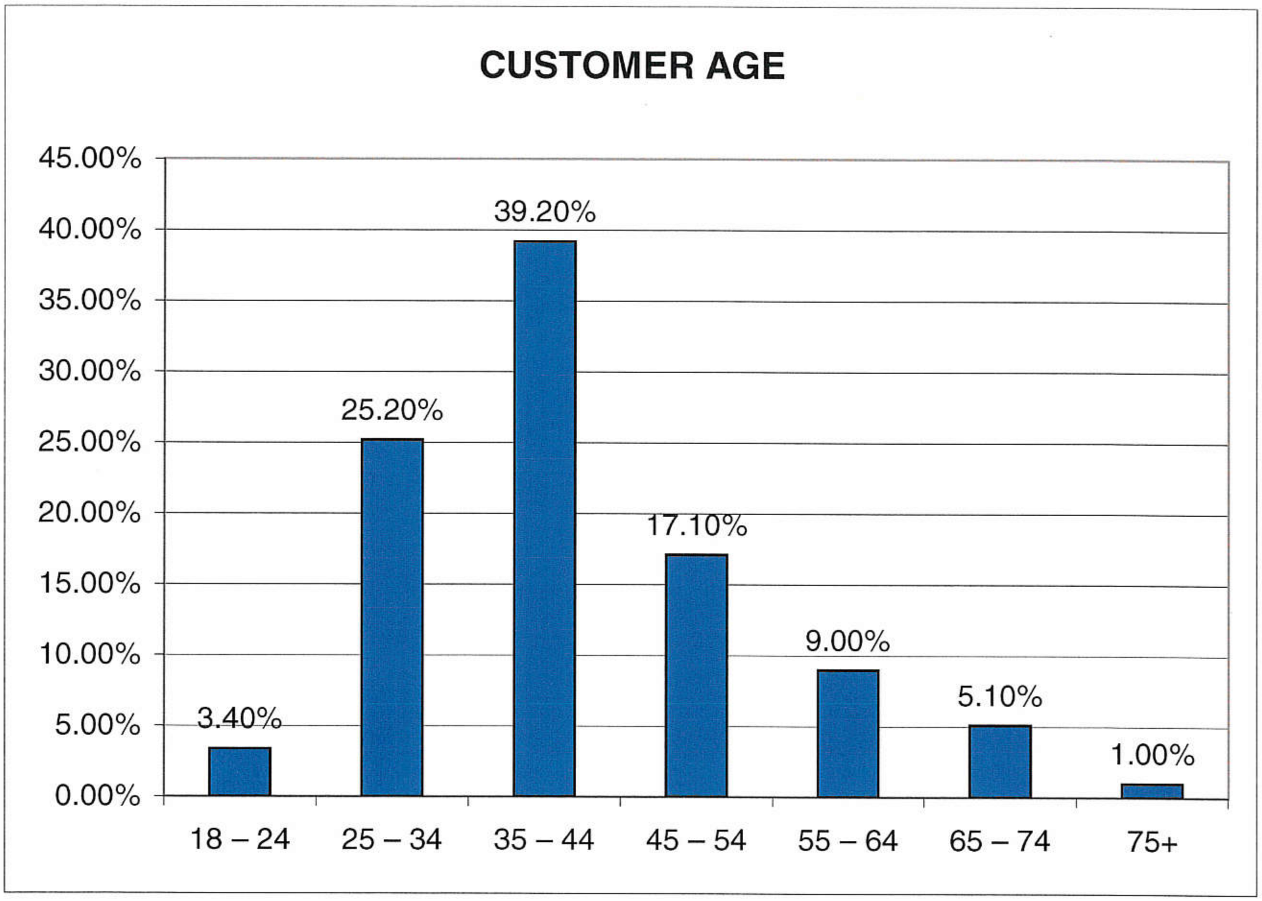
INCOME	
< $15,000	11.90%
$15,000 - $19,999	8.60%
$20,000 - $29,999	17.10%
$30,000 - $39,999	16.60%
$40,000 - $49,999	15.60%
$50,000 - $74,999	21.40%
$75,000+	8.80%

Conclusion:

Title Loan customers are spread throughout all incomes, with the largest group being $50,000 - $75,000.

51-8

EXHIBIT A



Customer Age	
18 – 24	3.40%
25 – 34	25.20%
35 – 44	39.20%
45 – 54	17.10%
55 – 64	9.00%
65 – 74	5.10%
75+	1.00%

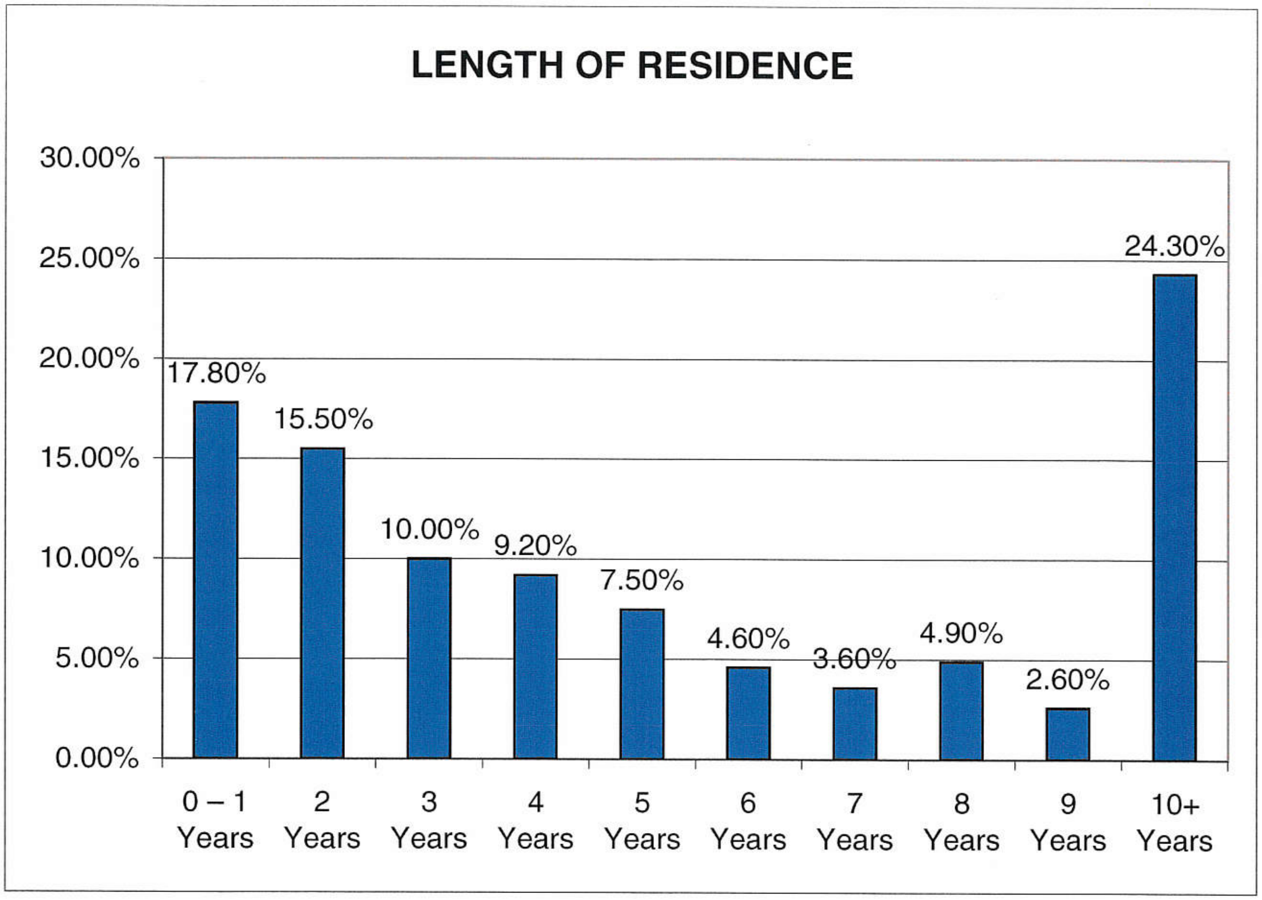
Conclusion:

The most common age group is 35 - 44 years old.

815

91-8

EXHIBIT A



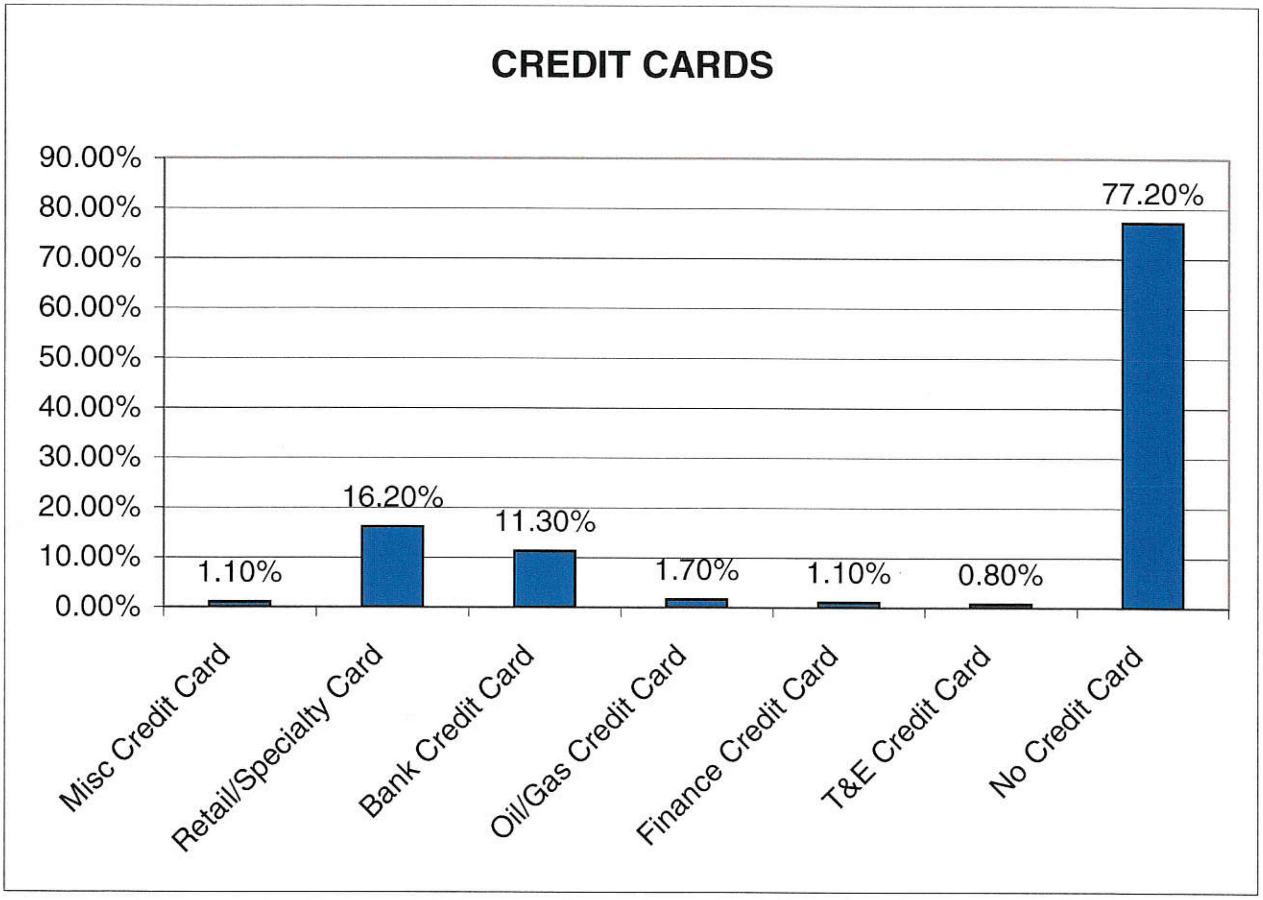
Length Of Residence	
0 – 1 Years	17.80%
2 Years	15.50%
3 Years	10.00%
4 Years	9.20%
5 Years	7.50%
6 Years	4.60%
7 Years	3.60%
8 Years	4.90%
9 Years	2.60%
10+ Years	24.30%

Conclusion:

Title Loan customers have both high and low tenure at residence.

8-16

EXHIBIT A



Credit Cards	
Misc Credit Card	1.10%
Retail/Specialty Card	16.20%
Bank Credit Card	11.30%
Oil/Gas Credit Card	1.70%
Finance Credit Card	1.10%
T&E Credit Card	0.80%
No Credit Card	77.20%

Conclusion:

Title Loan customers have very limited amounts of credit.

8-18

On a short term basis, LoanMax is a better value than a Home Equity Loan

HOME EQUITY LOAN (Wachovia)						
Loan Amount	**$**	**500.00**		**$**	**500.00**	
Loan Term		**27 Days**			**87 Days**	
COST		Dollars	APR		Dollars	APR
Interest (variable 18% max)	$	-	0.0%	$	7.15	5.7%
Credit Application *	$	50.00	120.0%	$	50.00	40.0%
Closing Cost *	$	349.00	837.6%	$	349.00	279.2%
Non-Usage Fee	$	50.00	120.0%	$	50.00	40.0%
TOTAL	**$**	**449.00**	**1077.6%**	**$**	**456.15**	**364.9%**

* Range from $400 to $700 (Closing Cost waived after 12th month with a balance)

LoanMax - OPEN END LINE OF CREDIT						
Loan Amount	**$**	**500.00**		**$**	**500.00**	
Loan Term		**27 Days**			**87 Days**	
COST		Dollars	APR		Dollars	APR
Interest	$	7.23	17.4%	$	224.22	179.4%
Cash Advance Fee	$	100.00	240.0%	$	100.00	80.0%
Annual Fee	$	10.00	24.0%	$	10.00	8.0%
Credit Application	$	-	0.0%	$	-	0.0%
Closing Cost	$	-	0.0%	$	-	0.0%
Non-Usage Fee	$	-	0.0%	$	-	0.0%
TOTAL	**$**	**117.23**	**281.4%**	**$**	**334.22**	**267.4%**

SAVINGS	**$**	**331.77**	**$**	**121.93**

8-18

EXHIBIT B

LoanMax
800 West 23rd Street
Lawrence, KS 67203
785-838-4900

- THIS IS A HIGH INTEREST LOAN

- HAVE YOU CONSIDERED OTHER BORROWING OPTIONS?

- YOU ARE ENCOURAGED TO PAY THE BALANCE AS SOON AS POSSIBLE

____
Customer Signature

ADDITIONAL DISCLOSURE

DATE _______________

AMOUNT OF CASH ADVANCE	____________
CASH ADVANCE FEE	____________
ANNUAL FEE	____________
AMOUNT OF INTEREST CHARGED ON A DAILY BASIS BASED ON THE AMOUNT OF THE INITIAL CASH ADVANCE	____________
AMOUNT OF INTEREST CHARGED ON A 30-DAY BASIS BASED ON THE AMOUNT OF THE INITIAL CASH ADVANCE	____________
ANNUAL PERCENTAGE RATE	____________

______________________________ ______________________________

BORROWER EMPLOYEE

____

CO-BORROWER

8-20

EXHIBIT D

Complaints in Kansas

Customer 1 – complained to BBB in Topeka – September 04 – complained that he was told his payments would be around $30-40 per month. His initial advance was $1,350. Before he had indicated how much he wanted to borrow, the manager explained how payments would work, using the example of a $100 advance (which would mean that the 2nd and subsequent payments would be around $30-40). After settling on $1,350, she explained that daily interest would be around $13.50. She explained the terms. Before I could respond, his mother paid off the account in full. I sent letter to BBB on October 30 explaining this. Have not heard from anyone about this since then.

RESOLVED

Customer 2 – complained to BBB in Topeka – November 04 – complained about interest, saying we rushed him through the contract. I called him. He said he didn't want to complain, and would withdraw the complaint. He admitted that he was in a hurry and didn't really listen to what the CSR was telling him. I wrote to the BBB on December 1 relating this, and never heard back. I called the BBB and am waiting for a return call on whether Barfield ever did withdraw the complaint.

WITHDRAWN

Customer 3 – complained to Sedgwick County District Attorney – November 04 – claims she was told that all she had to do was make minimum payments of $25 per month on her advance of $1,000. In fact, the CSR put a yellow sticky on the contract with the amount of the second payment, circled. I called her on November 22 to try to settle, and she told me she was going to hire an attorney, at the suggestion of the District Attorney's office. I asked her to have her attorney call me. I reported this to the DA's office by letter dated November 22. Haven't heard anything. While account is in dispute status, interest has been suspended.

PENDING

Customer 4 – complained to BBB in Wichita – December 04 - complaining that she knew the daily interest rate was about 1%, but didn't realize how much that would make her monthly payments. We settled with her. I notified the BBB of the settlement by letter dated January 18.

RESOLVED

Polsinelli | Shalton
Welte | Suelthaus PC

Memorandum

TO: THE HONORABLE RAY COX, CHAIRMAN
HOUSE FINANCIAL INSTITUTIONS COMMITTEE

FROM: WILLIAM W. SNEED, LEGISLATIVE COUNSEL
MIDWEST TITLE LOANS COMPANY

RE: HOUSE BILL 2143

DATE: FEBRUARY 7, 2005

Mr. Chairman, Members of the committee: My name is William Sneed and I represent Midwest Title Loans Company. My client is currently based in Tennessee and does business in a variety of states throughout the country. Currently my client does not operate within in the State of Kansas, but does business in the State of Missouri and have hundreds of customers who come over to our offices from Kansas. We appreciate the opportunity to express our concern regarding House Bill 2143.

As I'm certain that conferees have gone over the specifics of the bill, my client simply wishes to inform the committee that the bill, if passed as written, would place such stringent limits on these types of financial transaction that my client would not be interested in establishing offices within the State of Kansas. There had been some discussion as to what affect this bill would have on companies currently doing business in this state and/or businesses looking to come into the state. Thus, my client felt it important to go on the records with the committee as to our concerns regarding the bill.

As we have informed members of the committee, my client would be happy to work on this particular issue to determine whether or not a compromise could be developed on this issue. We stand ready and willing to work with whomever during this process and to help the legislature gain an understanding of our company and industry.

Again, we appreciate the opportunity to testify and if you have any questions, please feel free to contact me.

Respectfully submitted,

William W. Sneed

William W. Sneed

WWS:pmk
NEW / NEW
WWSNE 1166762

INTRUST Bank, NA
P.O. Box 1
Wichita, KS 67201-5001
Telephone 316 383-1111
www.intrustbank.com

INTRUST Bank®

INTRUST Bank
Position Paper on House Bill 2143

As the senior officer directing all bankcard initiatives for INRUST Bank, I am proud to present the company's position on House Bill 2143.

A bit of background on INTRUST Bank: INTRUST has $2.8 billion in assets, more than 1,000 employees, and 42 locations in Kansas communities, including Wichita, Manhattan, Topeka, Lawrence, Prairie Village and Overland Park. However, we conduct business all over the state through aggressive correspondent banking and credit card activities. INTRUST Financial Corporation is the largest independently owned bank holding company in the state of Kansas.

Every employee is dedicated to assisting Kansas residents with their financial needs. We strive to be a leader in innovation: we had the first drive-through bank, the first ATM in Wichita, and introduced the first true Internet banking site in Kansas.

A very important aspect of our business is consumer lending, so we are very interested in UCCC laws and how they allow us to compete in a marketplace that is incredibly competitive. The changes proposed to the UCCC will have the biggest impact on our credit card portfolio. INTRUST Bank is the largest credit card issuer located in the state, with 114,000 accounts and total balances of $157 million.

Kansas has a history as a state that's good for banks and good for consumers. And we don't want that to change.

Since 1987, INTRUST has been the proud card issuer of several alumni associations in the state, including K-State, KU and Wichita State. In an effort to compete with national credit cards issuers, who benefit from more flexible state laws, INTRUST bid the alumni business very aggressively. We were, and continue to be, successful with these programs because of the adoption of legislation in 1999 that put us on the same playing field as the national card companies.

INTRUST does not support H.B. 2143 as currently written. Let me sum the reasons why:

- **The current law protects Kansas citizens.** We estimate that 85% of credit cards used by Kansas residents are issued by large, out-of-state banks. In the credit card business, interest rates and fees are totally unrestricted because the banks may simply choose to domicile their business in states that have absolutely no restrictions. So Kansans, who are choosing out-of-state card companies because they offer lower rates, are being regulated by the laws of other states. Since 1999, INTRUST has been able to complete with those companies, which allows us to offer Kansans more choices.

- **We ask that you continue to allow the free market system to work.** Let INTRUST and other Kansas banks compete in a marketplace that is already wide open. The passage of H.B. 2143 as currently written would prohibit this from happening.

- **Who better than a Kansas bank, already committed to serving Kansas consumers, should meet the bankcard needs of Kansas alumni associations?** INTRUST has committed to making substantial investments to develop the alumni affinity cards. We've made this investment for many reasons. One of the reasons is we need to be competitive with national credit card players. But the real reason we invested in these universities is because we believe we understand how to offer Kansans, better than anyone else, a credit card that allows them to support their favorite alma mater.

INTRUST wants to keep its credit card business in Kansas. But we need your help. We urge you to support the amendment as drafted by the Kansas Bankers Association.

February 7, 2005

William R. Jones
Senior Vice President
INTRUST Bank
Wichita, Kansas