

MINUTES OF THE HOUSE FINANCIAL INSTITUTIONS.

The meeting was called to order by Chairperson Ray Cox at 3:30 p.m. on February 28, 2001 in Room 527-S of the Capitol.

All members were present except: Representative Doug Gatewood - Excused
Representative Bob Tomlinson - Excused

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

Conferees appearing before the committee: Matthew Goddard - Heartland Community Bankers Assn.
Franklin W. Nelson - Bank Commissioner
Chuck Stones - Kansas Bankers Association

Others attending: See attached list

Chairman Cox opened the hearing on **SB 70 - Mortgages; entry of satisfaction thereof.**

Proponents:

Matthew Goddard - Heartland Community Bankers Association, expressed support of **SB 70**. He said it just basically adds lenders and designated closing agents to the list of parties who are able, under current law, to make a demand for a mortgage release. Currently, a lender or designated closing agent may enter a mortgage release under 58-2309a, but cannot make demands for release themselves. Despite past legislation efforts, some out-of-state mortgage servicers continue to be slow in releasing mortgages. Unfortunately, it's not unusual for some out-of-state mortgagees to take an entire year to file the release. Unfortunately, in transactions involving the sale of real estate, the mortgagor may no longer be involved in the process. This gives the lender or closing agent questionable legal standing, when sending the demand letter on what is essentially their own behalf or the behalf of the buyer. The bill authorizes the lender or closing agent to make a written demand to the original loan's mortgagee for satisfaction of the mortgage. It also eliminates any ambiguity in the law that results from a lack of involvement by the mortgagor. (**Attachment 1**)

Roy Worthington, Kansas Land Title Association - Written testimony only (**Attachment 2**)

Kathy Olsen, Kansas Bankers Association - Written testimony only (**Attachment 3**)

Chairman Cox closed the hearing on **SB 70** and opened the hearing on **SB 130 - Creation of limited purpose trust company.**

Proponent:

Franklin W. Nelson - Bank Commissioner, requested the favorable consideration of **SB 130**. It's purpose is to allow for the formation of a trust company that has limited powers. In Kansas we have stand alone trust companies which are separate from banks. They are chartered and regulated by the Bank Commissioner's office. They also regulate bank trust departments that provide trust services. In the bill they are asking for the ability to issue a charter for a stand alone trust company in which the scope of the services provided is limited. During the past year his office was approached about issuing a charter for a limited narrow purpose. The party wanted to form a trust company for the purpose of safekeeping aircraft. He asked for the flexibility to grant such requests in the future. (**Attachment 4**)

CONTINUATION SHEET

MINUTES OF THE HOUSE FINANCIAL INSTITUTIONS at on February 28, 2001 in Room 527-S of the Capitol.

Chairman Cox closed the hearing on **SB 130** and opened the hearing on **SB 142 - Authorization of special orders by bank commissioner.**

Proponents:

Franklin W. Nelson, Bank Commissioner, spoke in favor of **SB 142**. It would allow the Bank Commissioner to grant parity for state banks with other depository institutions, not just national banks. In the past, national banks were the primary competitor of state banks and wildcard statute provided his office the authority necessary to ensure that state banks operated on a level playing field. With financial modernization, state and national banks are just two of the players in the financial services market. There are 25 states that have statutes that grant competitive equality with thrifts, and 11 states go beyond that and have authorized the agency head to grant parity with any "financial services provider," which could include insurance companies and securities firms in addition to depository institutions. The bill is not that broad. They took a conservative, studied approach, believing it to be a good solid middle ground approach for now. He said that it's important to maintain a competitive state charter for the good for the citizens of Kansas. (**Attachment 5**)

Representative Burroughs asked if there was a reason why credit unions wouldn't be included in the bill. Commissioner Nelson said that he is a regulator and not taking the position of making policy but, under current law, credit unions are exempt from income taxation and are in niche of their own. He did say that it would create an uneven playing field, with the credit unions having the advantage, if they were included.

Chairman Cox asked John Federico who represents credit unions, to give the credit unions' view of the bill. He gave a history of the bill on the senate side, which included them being included in the bill. He concluded by saying that when credit unions were included in the bill, it pleased them because the expanded power may be useful in the future. Right now, they are not in the bill and are not fighting to get in it.

Chuck Stones - Kansas Bankers Association, asked the committee to support **SB 142**. Competitiveness is very important to maintain a strong financial system. With the passage of the Gramm-Leach-Bliley Act (GLBA) at the Federal level, things are happening at a very rapid pace. The federal regulators can act at any time and it is imperative to give the Bank Commissioner this authority to assure the competitiveness of the banking system in Kansas. (**Attachment 6**)

Chairman Cox closed the hearing on **SB 142**.

Chairman Cox presented the committee minutes.

Representative Grant moved to approve the committee minutes for February 12 and February 14 as written. Representative Vickrey seconded the motion. Without objection, the motion carried.

The meeting adjourned at 4:07 p.m.

The next meeting is scheduled for March 5, 2001.

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