

MINUTES OF THE HOUSE FINANCIAL INSTITUTIONS COMMITTEE

The meeting was called to order by Chairman Ray Cox at 3:30 P.M. on February 8, 2006 in Room 527-S of the Capitol.

All members were present.

Committee staff present:

Melissa Calderwood, Kansas Legislative Research Department
Reagan Cussimanio, Kansas Legislative Research Department
Bruce Kinzie, Revisor of Statutes Office
Patti Magathan, Committee Secretary

Conferees appearing before the committee:

Jim Mattes - Appraiser
Richard Livingston - Appraisal Board
Kevin Conway - Appraiser
Kathy Olsen - Kansas Banker's Assoc.
Sonya Allen - Office of State Banking Commissioner

Others attending:

See attached list.

Chairman Cox announced that the committee would work **HB2669 - Withholding of wages, allowing automatic enrollment in 403 (b) retirement plan.**

Natalie Haag, Attorney with Security Benefit, offered an amendment to **HB 2669** which adds additional retirement option products to the bill as it was initially proposed. The products include 401 (k), 408, 408 (a), and 457 in addition to 403 (b) plans which was originally included. This balloon expands the original bill and was jointly drafted by Security Benefit and Sister's of Charity Healthcare. **(Attachment 1)**

Representative Goico made a motion to recommend the balloon favorably, and the motion was seconded by **Representative Olson**. Motion passed. **Representative Olson** then made a motion that the committee recommend **HB2669**, as amended, favorably for passage. Motion was seconded by Representative Dilmore. **Motion passed.**

Chairman Cox then opened Hearings on **HB2806 - Consumer credit code, uniform, mortgages.**

Sonya Allen, General Counsel for the Bank Commissioner's Office, said that there was a major revision to the Uniform Consumer Credit Code (U.C.C.C.) In 2005. This bill changes one word in 16a-3-308a which was an error in the 2005 code revision. The word recession is proposed to be changed to rescission. (No written testimony.)

Chairman Cox closed the hearings and announced that the committee would work the bill.

Representative Hummerickhouse requested that the committee recommend that the bill be moved to consent calendar when it is carried to the floor.

Representative Grant moved that the bill be recommended favorably for passage. **Representative Brunk** seconded the motion. **The motion passed.**

Chairman Cox then welcomed Reagan Cussimanio, Legislative Research Department, who was attending the committee meeting for the first time.

Chairman Cox announced that he was continuing hearings on **HB2735 - UCCC, definition of appraised value, independent valuation model.** He acknowledged that he continued hearings to allow both sides to be heard.

First to testify was **Jim Mattes**, an independent appraiser. Mr. Mattes stated that most licensed and certified

CONTINUATION SHEET

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appraisers find accurate and honest values, using the tools available to the profession. These tools include Automated Valuation Models (A.V.M.), county data, and MLS data where available. The most important part of the appraisal process is the inspection of the property. Use of other methods limits the accuracy of the appraisal. He also pointed out that there are two options available today in existing law. In addition to an appraisal, the loaner has the option to use county data at no cost. **(Attachment 2)**

Kevin H. Conway, a Certified Residential appraiser in Kansas and Missouri and past president of the Kansas City Chapter of the Appraisal Institute, then testified. Mr. Conway said that **HB2735** would primarily affect B-C Lenders, which he identified as lenders whose clients have less than an "A" credit rating. Mr. Conway said that even though lenders have the option to use tax values instead of an appraisal, that value may be viewed as conservative and would not allow them to loan the maximum amount that they might on a property which has been appraised. Mr. Conway contended that it is critically important to protect the borrower from an inflated appraisal. **(Attachment 3)**

Richard Livingston, an Independent Fee Appraiser, announced that he was testifying in opposition to **HB2735**. He maintained that A.V.M.'s are good tools to aid an appraisal, but they are only one of many tools. An A.V.M. should not be equated to an appraisal. He said that during an extremely stable market an A.V.M. may give a good indication of value. However, during times of fluctuation, this tool may not be as accurate. He added that without an onsite inspection many adverse conditions with a property may remain unseen. He concluded by saying that you cannot make something more secure or prevent a fraudulent act by taking away the safeguards or reducing the requirements. **(Attachment 4)**

Kathy Olsen of the Kansas Banking Association said that Banks follow federal guidelines and regulations, so they are not affected by **HB2735**, even though they do make the same types of loans. (No Written Testimony.) Following questions, **Chairman Cox** closed the hearings on **HB2735** and announced that we would work the bill on Wednesday, February 15.

Representative Grant made a motion that minutes of the February 1st meeting be approved without objection. Minutes are approved.

Meeting was adjourned at 4:20 P.M. Next meeting will be February 15, 2006 at 3:30 P.M.