

MINUTES OF THE HOUSE FINANCIAL INSTITUTIONS COMMITTEE

The meeting was called to order by Chairperson Pete DeGraaf at 3:30 pm on Tuesday, January 20, 2015, 152-S of the Capitol.

All members were present except:

Representative Mario Goico – Excused

Committee staff present:

Melissa Calderwood-Renick, Legislative Research Department

Whitney Howard, Legislative Research Department

Matt Sterling, Office of Revisor of Statutes

Gary Deeter, Kansas Legislative Committee Assistant

Eileen Ma, Office of Revisor of Statutes

Conferees appearing before the Committee:

Deryl Schuster, Commissioner, Office of the State Bank Commissioner

Judi Stork, Deputy Commissioner, Office of the State Bank Commissioner

Jennifer Cook, Deputy Commissioner for Mortgage and Consumer Lending, Office of the State Bank Commissioner

Doug Wareham, Executive Vice President for Government Relations, Kansas Bankers Association

Shawn Mitchell, President and CEO, Community Bankers Association of Kansas

Jerel Wright, Administrator, Kansas Department of Credit Unions

Haley DaVee, Vice President for Government and Public Affairs, Kansas Credit Union Association

Others in attendance:

[See Attached List](#)

Office of the State Banking Commissioner

Commissioner Schuster outlined the divisions of the Office of the State Bank Commissioner (OSBC): Banking and Trust, Consumer and Mortgage Loans, Legal, Administration, and Information Technology. He commented that the agency is totally fee-funded with 106 staff members ([Attachment 1](#)).

Mr. Schuster then introduced Judi Stork, who reviewed the supervisory duties of the OSBC; the agency regulates 225 state-chartered banks, 41 active trust departments, and 10 trust companies, as well as 80 money transmitter companies. She explained the CAMELS (Capital, Assets, Management, Earnings, Liquidity, Sensitivity to Market Risk) rating system, which ranges in descending order from 1 to 5. A ranking of 3, 4, or 5 indicates a problem institution. Ms. Stork provide charts to show bank performance, capitalization, ratings, and examination trends. She briefly referenced the regulation of money transmitters, bank conversions, and trust companies, and she noted the agency's membership in the Conference of State Bank Supervisors.

CONTINUATION SHEET

MINUTES of the Committee on Financial Institutions at 3:30 pm on Tuesday, January 20, 2015, 152-S of the Capitol.

Jennifer Cook provided an overview of the Division of Consumer and Mortgage Lending; its two responsibilities are to license non-depository entities and to examine these licensed entities for compliance with state and federal law. She commented on the impact of the regulations being promulgated by the Dodd-Frank Wall Street Reform and Consumer Protection Act and how it creates administrative burdens on financial entities. She also noted future regulations on the horizon. She listed consumer education initiatives and grant programs funded by the agency during the past year.

Responding to a question, Ms. Cook replied that consumer education activities were funded through bank fees. Commissioner Schuster, responding to another question, replied that the OSBC regulates only state-chartered banks and shares control with certain banks jointly regulated by the Federal Deposit Insurance Corporation. Federally chartered banks are supervised by the federal Office of the Comptroller of the Currency.

Responding to members' questions, Commissioner Schuster acknowledged that several experienced examiners have sought other jobs because of the agency's salary limitations.

Kansas Bankers Association

Doug Wareham briefed the Committee on the work of the Kansas Bankers Association ([Attachment 2](#)). Founded in 1887, the association is a non-profit trade association with 31 staff members and a membership of 289 banks. He noted that stability has returned to Kansas banks following the economic downturn of the past few years, also noting that bank consolidations have been increasing, often driven by the increased compliance costs of ever-expanding regulations. Mr. Wareham provided several charts detailing trends and relevant statistics related to Kansas banks.

Community Bankers Association of Kansas

Shawn Mitchell commented on the services of the Community Bankers Association; he noted that the association's focus is primarily on rural banks, which emphasize local deposits and local lending decisions. He also noted the increasing burden of regulations and provided statistics to illustrate various banking indicators ([Attachment 3](#)).

Kansas Department of Credit Unions

Jerel Wright reviewed the history of credit unions, noting that they are non-profit, member-owned financial cooperatives governed by a voluntary unpaid board of directors ([Attachment 4](#)). The 74 state-chartered credit unions have assets above \$4.7 billion; the agency is funded by fees from credit unions, with 10% of fees being allocated to the State General Fund. Member deposits are federally insured, and each credit union currently is examined on a 13-month cycle. Mr. Wright reported that, like banks, examiners follow a similar CAMEL rating system and cooperate with federal examiners regarding the 19 federally-chartered credit unions.

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Kansas Credit Unions Association

Halee DaVee introduced Marla Marsh, President of the Kansas Credit Union Association and, commenting on the difference between banks and credit unions, Ms. DaVee noted the services provided by the 93 Kansas credit unions through community involvement and financial literacy ([Attachment 5](#)) . She observed the compliance burden of federal regulations and referenced statistics to illustrate the benefits offered by credit unions. Responding to questions, she replied that the association is officially neutral regarding the payday loan industry. She acknowledged that some "foreign" credit unions (those with out-of-state headquarters) operate in Kansas.

The meeting was adjourned at 4:56 p.m. No further meeting was scheduled.