

MINUTES OF THE HOUSE FINANCIAL INSTITUTIONS COMMITTEE

The meeting was called to order on January 28, 2004 by Chairman Ray Cox at 3:30 p.m. on in Room 527-S of the Capitol.

All members were present except:

Representative Larry Campbell- excused

Representative Vaughn Flora- excused

Committee staff present:

Bruce Kinzie, Revisor's Office

Bill Wolff Legislative Research Department

Maggie Breen, Secretary

Conferees appearing before the committee: Clarence Norris, Bank Commissioner
Kevin Glendening, Office of State Bank Commissioner
Chuck Stones, Kansas Bankers Association

Others attending:

See Attached List.

Clarence Norris, Office of the State Bank Commission, gave an overview of his office. Since 1999, the duties of the Office of the Consumer Credit Commissioner have been consolidated with those of the Office of the State Bank Commissioner. This office regulates and examines 263 state chartered banks that employ nearly 8,000 people and have assets of over \$23 billion. It also regulates an ever growing number of entities in the Consumer & Mortgage Lending Division. These entities have grown from 8,230 last year to 9,792 at present and are presenting quite a challenge. They are only able to examine about 38% of the entities but are working on being able to do more. The budget for the OSBC is about \$6 million. They are a fee-funded agency so they do not use taxpayer money. In fact, over the last two years the department has given \$1.4 million to the general fund. The Consumer & Mortgage Lending budget of \$1.2 million is going to have to increase. This will be funded through assessments, licensing, and penalties. Cash refunds to consumers plus consumer saving through reductions in contractual obligations for fiscal years 2002, 2003, and the first part of 2004 total \$20,784,714. (**Attachment 1**)

Chairman Cox opened the floor for bill introductions.

Kevin Glendening, Office of the State Bank Commissioner, requested an amendment to Kansas Uniform Consumer Credit Code, K.S.A. 16a-2-404 having to do with payday loans.

Chairman Cox said that without objection, the bill would be introduced.

Chairman Cox opened the hearing on **HB 2580 - Banks and Banking, general powers.**

Chuck Stones, Kansas Bankers Association, stated that the current law allows banks to invest in investment securities which are evidences of debt with a limit of 15% capital. They can make a loan to an amount of 25% of capital. An example of an investment that is an evidence of debt is an industrial revenue bond, which is a type of municipal security that is not a general obligation bond. The taxing authority of the city is not responsible for payment of that bond. Payment is 100% the responsibility of the company the city is issuing the bond for. The bank could make a loan to that company up to 25% of its capital, but only buy the security back from that company up to 15% of its capital. The risk analysis for both are the same so the limits should be the same. He thanked the committee for their consideration of the issue. (**Attachment 2**)

Clarence Norris, Bank Commissioner, stated that they would not oppose raising the investment limit for investment securities to 25%. (**Attachment 3**)

Chairman Cox closed the hearing on **HB 2580** and presented the minutes for the January 21st meeting. Representative Dillmore moved that they be approved as written. Representative Boyer seconded the motion. The motion carried.

The meeting adjourned at 4:04 p.m. The next meeting is scheduled for Wednesday, February 4.