

Approved: April 1, 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 March 2, 2005 in Room 527-S of the Capitol.

All members were present except:  
Rob Olson- 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:  
Doug Wareham - Kansas Bankers Association  
Bruce Morgan - Valley State Bank, Roeland Park  
Matt Goddard - Heartland Community Bankers Association  
Bill Henry - Kansas Credit Union Association  
Ron Gaches - Kansas Association of Financial Services  
Sonya Allen - Office of the State Banking Commissioner

Others attending:  
See attached list.

**Melissa Calderwood**, Legislative Research, gave the committee an overview of **SB 57 - Consumer protection; exemption for occasional sale of certain repossessed collateral** as it relates to The Kansas Consumer Protection Act. **(Attachment 1)**

Representative Grant moved that the minutes of the February 9 meeting be approved as written. Minutes were approved by consensus.

Chairman Cox opened hearings on **SB 57 - Consumer protection; exemption for occasional sale of certain repossessed collateral.**

**Doug Wareham** testified on behalf of the Kansas Bankers Association. **(Attachment 2)** Mr. Wareham supports **SB 57** and said that banks should not be considered “suppliers” when they are merely selling collateral on an as-is, occasional basis.

**Bruce Morgan**, Valley State Bank, Roeland Park, also testified as a proponent. Mr. Morgan stated that **SB 57** is important to banks within this state and he asked this committee to approve and recommend it for consideration by the full House. He stated that this bill is necessary because it clarifies language in the existing statute defining a “supplier.” **(Attachment 3)**

**Matt Goddard**, Heartland Community Bankers Association, testified as a proponent. They support **SB 57** also, saying that this bill removes the ambiguity in the existing statute and allows lenders to proceed with a clear understanding of their legal status. **(Attachment 4)**

**Bill Henry**, Kansas Credit Union Association, testified as a proponent, saying that they support this bill. **(Attachment 5)**

**Ron Gaches**, representing the Kansas Association of Financial Services, testified as a proponent, saying that they like the bill. **(Attachment 6)**

Written testimony was provided by **Renee Murray** of Community Bankers Association. **(Attachment 7)**

Representative Dillmore questioned whether lenders are also licensed dealers. Mr. Morgan replied that most lenders have a limited-purpose license which allows them to transport vehicles and gives them access to dealer auctions. Representative Dillmore then outlined a potential scenario of a failed housing development with

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multiple units in various stages of construction. If the bank were to complete construction and sell the units, he would consider that more than an “incidental sale.” Mr. Morgan replied that there is law in place to govern that scenario. State Banking laws, the National Bank Act, and the Bank Holding Company Act all prohibit banks from participating in real estate development.

Chairman Cox closed the hearings on **SB 57 - Consumer protection; exemption for occasional sale of certain repossessed collateral** and opened hearings on **SB 104 - Banks and Banking - Examination of certain business entities affiliated with banks or trust companies.**

Testifying as a proponent was **Sonya Allen** of the Office of the State Banking Commissioner. **(Attachment 8)** This bill amends statute K.S.A. 9-1702 in the state banking code and modernizes the existing law. This bill would give the Kansas Banking Commissioner parity with other state’s Banking Commissioners and with Federal Regulators.

**Doug Wareham** testified as a proponent on behalf of the Kansas Bankers Association, saying that the bill makes two changes to the existing statute. First, it removes the State Banking Board’s role of approving the examination of a bank’s affiliated business entities and places that authority with the State Bank Commissioner or the commissioner’s designee. Secondly, it defines the term “affiliate” to ensure that business affiliate information examined by state bank examiners mirror the same type of information examined by federal bank regulators. This bill was amended in the senate with language that specifically defines what an “affiliate” is and the K.B.A. believes that, as amended, this proposal brings the Kansas banking code in line with federal banking laws. **(Attachment 9)**

Written testimony was provided by proponent **Richard Rucker**, Home Bank and Trust, Eureka. **(Attachment 10)**. Written material was also provided by proponents from the **Conference of State Banking Supervisors**. **(Attachment 11)**.

Chairman Cox closed hearing on **SB 104 - Banks and Banking - Examination of certain business entities affiliated with banks or trust companies.**

Meeting adjourned at 4:11 P.M.

Next meeting is scheduled for March 7, 2005.