

Approved: February 21, 2000
Date

MINUTES OF THE HOUSE FINANCIAL INSTITUTIONS.

The meeting was called to order by Chairperson Ray Cox at 3:30 p.m. on February 14, 2000 in Room 527-S of the Capitol.

All members were present except: Representative Henry Helgerson - Excused

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

Conferees appearing before the committee: Sue Anderson, Community Bankers Association
Judi Stork, Office of the State Bank Commissioner
Bill Sneed, Consec Financial Services

Others attending: See Attached

Chairman Cox opened the hearing on **HB 2753 - Banks and trust companies, list of stockholders**

Proponent:

Sue Anderson, Community Bankers Association, said that to the best of CBA's knowledge, Iowa and Kansas are the only two states which require state-chartered banks to file a list of all their stockholders, including names and addresses, with a regulatory agency. This subjects them to the Kansas Open Records Act. Reports from CBA members and research from staff indicates that, because of this law, a number of banks have experienced blanket proposals to all their stockholders, with solicitation offers to purchase stock at a price that represented less than value. They are not opposed to the buying and selling of bank stock, that's not what's at issue here. None of their members are opposed to the filing of any records with the Bank Commissioner's office, that are necessary for the safety and soundness of the state-chartered banks in Kansas. However, when only state-chartered banks are required to make this kind of disclosure, it compromises their competitive stance. National bank charters and savings and loans do not have to file stockholder information in a way that is freely available to the public. The CBA believes that the same discretion should be afforded to state-chartered banks, at least to the extent that is par with other corporations in the state. The CBA has learned that there is a proposed amendment to **HB 2753**. It would require that all records be filed and retained at the Office of the State Bank Commissioner but would remove small stockholders owning less than 5 percent from the Kansas Open Records Act. CBA supports the amendment and asked that the committee report the bill favorably. They also had the suggestion that if the amendment be adopted, it refer to the location of the Kansas Open Records Act in the statute. (**Attachment 1**)

Neutral:

Judi Stork, Office of the State Bank Commissioner, said they object to a new law that would require the filing of a list of only those stockholders who own more than 5% of the stock of the bank or trust company. This is of concern to OSBC. They rely on the complete list of information, especially in cases of problem institutions. If it's necessary to make a capital call on a bank or trust company, the entire listing of stockholders is needed. Her office would be supportive of the proposed amendment to **HB 2753** from the standpoint that it addresses their regulatory objectives. The OSBC does not, however, take a position on whether the information should be confidential. This is an issue of public policy for the committee to decide. (**Attachment 2**)

Chairman Cox closed the hearing on **HB 2753** and reopened the hearing on:

HB 2675- UCCC, manufactured homes

Proponents:

Bill Sneed, Consec Financial Service, handed out a proposed amendment to **HB 2675**. (**Attachment 3**)

The bill that they requested was an attempt, by Conseco, to provide for the financing of manufactured homes, under the UCCC, in the same way that onsite homes are financed. In essence, with prepaid finance provisions that are currently in the UCCC. They are amending 2 sections of the UCCC, 16a-2-201 and 16a-2-401. Section 401 deals with loans and section 201 deals with credit sales. His proposed amendment changes the language so that manufactured homes would be handled the same way as onsite homes. He respectfully asked that the committee amend the bill as outlined and pass it out favorably.

Martha Neu Smith, Kansas Manufactured Housing Association, submitted written testimony only. (**Attachment 4**)

Chairman Cox closed the hearing on **HB 2675**.

Chairman Cox said the committee would work **HB 2690 - Securities, regulating variable annuities**.

Commissioner Brant was asked to review what the amendments to the bill did. Commissioner Brant referred to the amendments that he had handed out previously. Page one of the amendment, shows a clarification that if the definition of securities is changed, there is a need to show that it does apply to variable annuities and variable life insurance policies that are required to be registered with the Securities and Exchange Commission in Washington. Page 3, lines 3 and 4, of the bill, clarifies that it does not apply to non-variable insurance policies and it does not apply to fixed annuities or to equity indexed fixed annuities. The first draft of the amendment, on line 5, merely had the words "a fixed sum of". That was the first lead they were going to follow, as it is the core word provision that is currently adopted by 5 other states. But they have found, after consultation with others, that this could be updated and clarified.

Page 2 of the amendment does not relate to the variable annuity question. It is an otherwise technical amendment to clarify what is required on nonprofit debt offerings. They are just substituting the words "specify conditions for this exemption" for the words "other information", so that they can specify what they need. On page 3 of the amendment, there is a provision to clarify that the insurance commissioner shall have the sole and exclusive jurisdiction over the contracts themselves and over the companies that issue the contracts. Another purpose of the proposed amendments is to clarify that sales practices regarding the variable products is subject to joint jurisdiction.

Representative Grant made a motion to report **HB 2690** adversely and to request an interim committee be formed to study to see if it is needed. Representative Mayans seconded the motion.

Representative Tomlinson made a substitute motion to adopt the amendments to the bill. Representative Hummerickhouse seconded the motion. The motion carried.

Represented Grant restated his motion. He made a motion to report the bill adversely as amended with a recommendation to request an interim committee to study this to see if it is needed. Representative Mayans seconded the motion. The motion carried with Representative Tomlinson voting no.

Chairman Cox said the committee would work **HB 2754 - Banks and trust companies, holding of real estate**.

Dr. Wolff gave a brief description of the bill. Currently, a banks that owns property for its own use, can hold that property for a period of 7 years. The 7 years begins on the date the property was purchased or acquired in some other capacity. This bill would allow the clock to begin to run from the date of change of intended use of the property. The bank would have 7 years to sell the property with the possibility of a 3 year extension.

Representative Burroughs made a motion to pass **HB 2754** out favorably. Representative Sharp seconded the motion. The motion carried.

The meeting adjourned at 4:12 p.m.

The next meeting is scheduled for February 16, 2000.

