

MINUTES OF THE HOUSE FINANCIAL INSTITUTIONS.

The meeting was called to order by Chairperson Ray Cox at 3:30 p.m. on January 22, 2001 in Room 527-S of the Capitol.

All members were present except:

Representative Jene Vickrey - Excused

Committee staff present:

Dr. Bill Wolff, Legislative Research
Bruce Kinzie, Revisor's Office
Maggie Breen, Committee Secretary

Conferees appearing before the committee:

Franklin W. Nelson, Bank Commissioner
Judi Stork, Deputy Bank Commissioner
Kevin C. Glendening, Deputy Commissioner -
Consumer and Mortgage Lending
Sonya Allen, General Counsel - OSBC
Chuck Stones, Kansas Bankers Association

Others attending: See attached list

Chairman Cox introduced the two new members of the committee, Representative Mary Kauffman, a new legislator, and Representative Doug Gatewood, a returning legislator who is new to the committee. He also welcomed the returning committee members.

Bank Commissioner, **Franklin "W" Nelson**, gave an overview of the Office of the State Bank Commissioner (OSBC). The OSBC regulates 270 state chartered banks, 11 trust companies, 52 trust departments in state banks, 25 money transmitter companies, over 353 mortgage lenders and brokers, 292 licensed supervised lenders with 703 licensed locations, 5 credit service organizations about over 6,000 filers who extend consumer credit. A review examination staff, a legal department with three attorneys, an administrative unit, information tech staff and support staff is maintained in Topeka and there are 7 field offices throughout the state. The OSBC consists of two divisions, the Division of Banks and Trust Companies headed by Deputy Bank Commissioner, Judi Stork, and the Division of Banks and Trust Companies, headed by Deputy Bank Commissioner, Kevin Glendening. (**Attachment 1**)

Judi Stork, Deputy Bank Commissioner, gave an overview of the Division of Banking. The division has a statutory duty to examine banks and trust companies once every 18 month period. They accomplish this by doing alternating and/or joint examinations with the Federal Reserve Bank and the Federal Deposit Insurance Corporation. The condition of the **Capital, Assets, Management, Earnings, Liquidity, and Sensitivity to Market Risk** of each bank is assessed. Each component is rated on a scale of one to five, with one being the highest rating. This CAMELS rating is disclosed to the bank. Currently, only 11 of the 270 banks have a three or four rating and are considered to be problem banks. None have a rating of five. The trust side has a similar rating system. Only one of the 11 trusts has a rating of three. There are none with a four or five rating. Judi reported that the Bank Commissioner issued three special orders in the year 2000. They granted state banks the same powers which they could exercise if they were a national bank.

(**Attachment 1**)

Kevin Glendening, Deputy Bank Commissioner, gave an overview of the Division of Consumer and Mortgage Lending. The CML division licenses and regulates the activities of several distinct trades including mortgage brokers and lenders, consumer finance companies, and payday lenders. In the year 2000, his division conducted on-site examinations of 94 companies which resulted in refunds to consumers of approximately \$63,000; received 670 consumer inquiries and complaints by way of telephone calls and 100 written consumer complaints; and initiated administrative actions against individuals and companies at an

CONTINUATION SHEET

MINUTES OF THE FINANCIAL INSTITUTIONS, Room 527-S Statehouse, at 3:30 p.m. on January 22, 2001.

average rate of more than one per week. This resulted in assessed fines of nearly \$75,000, and refunds, revised loan contract terms, and other issues benefitting consumers by nearly \$300,000. (**Attachment 1**)

Sonya Allen, General Counsel - OSBC, gave a brief overview of the Gramm-Leach-Bliley Act of 1999 which is commonly referred to as “financial modernization.” The GLBA does three fundamental things. 1) It repeals key provisions of the 66-year old Glass Steagall Act to permit commercial banks to affiliate with investment banks. 2) It substantially modifies the 43-year old Bank Holding Company Act of 1956 to permit companies that own commercial banks to engage in any type of financial activity, through a new entity called a “financial holding company.” 3) It allows subsidiaries of national banks to engage in a broader range of financial activities that are not permitted for the national banks themselves, through a new entity called a “financial subsidiary.” (**Attachment 2**)

Chuck Stones, Kansas Bankers Association, presented some Kansas Bank Facts. He covered a lot of interesting data. A highlight of the presentation was the very touching story of someone (who lived in a very small community that boasted of having a bank) who recently hosted an open house to celebrate their new “indoor plumbing.” (**Attachment 3**)

Chuck Stones requested that the committee introduce two proposed bills. The first bill deals with the time limit that a bank has to sell repossessed personal property. It now has 6 months and the proposed bill would allow 1 year. (**Attachment 4**) The second bill has to do with the certification of trust. Many times a bank or business is asked to do something by a trustee. In order to comply with the request, the bank asks for proof that the person is in fact the trustee and has the authority to act on behalf of the trust. The only way to prove it now is to copy a portion of the trust agreement and sometimes it may contain sensitive information. This bill would provide an alternate method by allowing the trustee to fill out a “certification” form. (**Attachment 5**)

Representative Cox said that, without objection, the bills would be introduce.

Judi Stork requested that two proposed bills be introduced. Both bills relate to BLBA. The OSBC want to take the provisions that they put in the special order last year and codify them in the statute. The second bill is because they need to be able to share information among functional regulators, i.e. the insurance and securities departments. They do not have the authority to do so now.

Representative Cox said that, without objection, the two bills would be introduce.

Kevin Glendening said he also had a request for a proposed bill relating to additional limitations on payday lending.

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

The meeting was adjourned at 4:31 p.m.

The next meeting is scheduled for Wednesday, January 24, 2001.

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

