

MINUTES OF THE SENATE FINANCIAL INSTITUTIONS AND INSURANCE

All members were present except: Senator Paul Feleciano
Senator David Atkins

Committee staff present: Ken Wilke, Office of the Revisor of Statutes
Dr. Bill Wolff, Kansas Legislative Research Department
Marlene Putnam, Committee Secretary

Conferees appearing before the committee:

Franklin Nelson, State Banking Commissioner

Others attending: See attached list

The meeting was called to order by Chairperson Ruth Teichman at 9:45 a.m. on January 14, 2003 in Room 234-N of the Capitol. Senator Teichman introduced two new members, Senator Mark Buhler, from Douglas County and Senator David Atkins. Senator Buhler replaced former Senator Sandy Praeger, who is now the state's Insurance Commissioner. The other committee members, staff, and visitors introduced themselves.

Report from State Banking Commissioner

Franklin Nelson, State Banking Commissioner, gave an overview of the office of the state banking commission and the financial institutions they regulate.

Mr. Nelson introduced members of his staff: Judy Stork, Kevin Glendening, and Sonya Allen. The agency consists of two divisions: Banking, and Consumer and Mortgage Lending. The Banking division regulates 262 state commercial banks and trust departments. The Consumer and Mortgage Lending division regulates 394 mortgage company licensees. The agency examines banks for safety and soundness. Banks are rated on the CAMELS system which is an acronym for the components of capital, assets, management, earnings, liquidity, and sensitivity.

Consumer education has been enhanced by monies recovered, and a portion retained for this purpose. Grants have been given to several sources (i.e. teachers, adult education, college workshops, and community action committees). Committee questions and discussion in lending matters related to farm losses, and the ability for farmers to borrow money, limited profitability of farms, adverse selection, and extension of loans. Mr. Nelson stated that classified loans result in a greater potential for loss; these loans are scored from 1 to 5 with 5 being the worst.

The meeting was adjourned at 10:30 a.m. The next meeting is scheduled for January 15, 2003.