

February 1, 2018

The Honorable Jeff Longbine, Chairperson
Senate Committee on Financial Institutions and Insurance
Statehouse, Room 341-E
Topeka, Kansas 66612

Dear Senator Longbine:

SUBJECT: Fiscal Note for SB 335 by Senate Committee on Financial Institutions and Insurance

In accordance with KSA 75-3715a, the following fiscal note concerning SB 335 is respectfully submitted to your committee.

SB 335 would repeal the Savings and Loan Code and would allow savings and loan associations to become chartered under the State Banking Code and would be subject to regulation from the Office of the State Bank Commissioner. The definition of “bank” as used in the State Banking Code would be updated to apply to traditional banks and savings and loan associations. The bill also includes definitions for stock bank, mutual state bank, and savings and loan association or savings bank. The bill would allow a savings and loan association to invest up to 3.0 percent of its assets in any service corporation in this state, provided at least half of the permitted investment is used for community development purposes. The bill would require savings and loan associations to receive approval from the State Bank Commissioner at least 30 days prior to acquiring, establishing, or commencing new activity with a service corporation. The bill includes details about the allowable activities and restrictions for a service corporation to operate in the state.

The bill would amend the State Banking Code to allow any national bank, federal savings association, or federal savings bank located in this state to become a mutual state bank if approved by at least two-thirds of the institution’s outstanding voting shares or members. A federal savings association or federal savings bank operating in a mutual form would not be required to convert to a stock form prior to converting to a mutual state bank. The bill also details the requirements and restrictions that would apply to any institution that converts to a mutual state bank. The bill would also allow banks to invest up to 15.0 percent of the bank’s capital and surplus in municipal securities under certain conditions.

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Page 2—SB 335

The Office of the State Bank Commissioner indicates SB 335 has the potential to increase costs to regulate savings and loan associations if they convert to a state-chartered bank. However, the costs to perform additional examinations, oversight, and long-term training requirements are estimated to be negligible and could be accomplished with existing examination staff and could be absorbed within existing resources. The agency indicates that it currently has the authority to regulate state-chartered savings and loan entities; however, no state-chartered savings and loan associations are currently chartered and regulated by the agency. The nine savings and loan associations that are located in Kansas hold a federal charter issued by the Office of the Comptroller of the Currency. The agency estimates that one to three savings and loan associations may convert to a state-chartered bank during FY 2019 under the provisions of the bill.

The Office of the State Bank Commissioner indicates the bill has the potential to increase agency revenues by approximately \$28,000 from application fees and associated annual assessment fees from savings and loan associations that convert to a state charter. Currently, the agency assesses a fee of \$500 for an application to convert to a state charter. The agency estimates up to \$1,500 in additional revenue in FY 2019 if three institutions submitted state charter applications. The annual assessment fees are based on the asset size of the institution. If the three smallest asset sized institutions convert to a state charter based on the current fee structure, then agency would generate approximately \$26,500 from assessment fees. Any fiscal effect associated with SB 335 is not reflected in *The FY 2019 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Shawn Sullivan", with a horizontal line extending to the right.

Shawn Sullivan,
Director of the Budget

cc: Miki Bowman, Banking