

Approved: February 8, 2011
Date

MINUTES OF THE HOUSE FINANCIAL INSTITUTIONS COMMITTEE

The meeting was called to order by Chairman Forrest Knox at 3:30 p.m. on January 27, 2011, in Room 152-S of the Capitol.

All members were present.

Committee staff present:

Cindy Lash, Kansas Legislative Research Department
David Wiese, Revisor of Statutes' Office
Sean Ostrow, Revisor of Statutes' Office
Gary Deeter, Committee Secretary

Conferees appearing before the Committee:

Judi Stork, Deputy Bank Commissioner, Office of the State Bank Commissioner
Ed Splichal, Acting Bank Commissioner, Office of the State Bank Commissioner
Kevin Glendening, Deputy Commissioner for Consumer and Mortgage Lending, Office of the State Bank Commissioner

Others attending:

See attached list.

The Chair recognized Vice-chair Proehl, who requested the committee sponsor a bill. He introduced Doug Mays, Kansas Governmental Affairs, who, representing the city of Olathe, requested a bill dealing with Tax-Increment Financing (TIF). He explained that the proposed bill would allow two things: financing of infrastructure outside the TIF district but contiguous if determined by the city to be necessary when implementing the TIF plan, and allow cities to commit only a portion of their sales tax (instead of 100%) for TIF just as they are currently allowed to do for the property tax increment. A motion was made, seconded, and passed unanimously to introduce the bill. (Motion, Representative Montgomery; second, Representative Grant)

The Chairman opened the hearing on **HB 2056** - Financial institutions; trust examinations and annual assessments.

Staff David Wiese briefed the committee on the bill, saying that the bill changes the annual reporting date that the Office of the State Bank Commissioner uses to assess institutions from March 31 to December 31.

Judi Stork, Deputy Bank Commissioner, Office of the State Bank Commissioner (OSBC), spoke as a proponent for the bill, saying that changing the date will assist the agency in determining assessments in a more timely manner (Attachment 1).

The Chairman closed the hearing on **HB 2056** and invited members to consider recommendations for the bill. A motion was made by Representative Proehl, seconded by Representative Grant, to pass the bill favorably from the committee and place it on the House Consent Calendar. The motion passed unanimously.

CONTINUATION SHEET

Minutes of the House Financial Institutions Committee at 3:30 p.m. on January 27, 2011, in Room 152-S of the Capitol.

The committee minutes for January 18 were approved as printed. (Moved by Representative Gregory and seconded by Representative Fawcett)

The Chair welcomed Ed Splichal, Acting Bank Commissioner, OSBC, who provided an overview of the agency (Attachment 2). He outlined the five divisions of the agency: Banking and Trust, Consumer and Mortgage Lending, Legal, Administration, and Information Technology (IT). He commented on the Administration Division (budget preparation, FY 11 \$9.2 million), the Legal Division (interpreting relevant laws and regulations and providing enforcement actions), and the IT Division.

Judi Stork continued the presentation, outlining the activities of the Banking and Trust Division. She explained that, of the 313 banks in Kansas, 73 are national banks regulated by the Office of the Comptroller of the Currency, 41 state banks are members of the Federal Reserve (regulated cooperatively by the OSBC and the Fed), and 199 state banks are dually regulated by the Federal Deposit Insurance Corporation and the OSBC. She commented on details of the examination process and noted other duties of the Division. Members offered comments and asked questions about the regulation process and the CAMELS (Capital, Assets, Management, Earnings, Liquidity, and Sensitivity to Market Risk) rating system; some members expressed concern that 18 Kansas banks were rated a 4 or 5 in 2010. Ms. Stork concluded by noting that the Division also has licensing authority and oversight over 53 money-transmitting services.

Kevin Glendening, Deputy Commissioner for Consumer and Mortgage Lending (CML), OSBC, summarized the activities of the CML Division, observing that the Division enforces a number of state and federal codes as well as supervises 7023 mortgage and consumer lending entities that hold about \$269 billion in assets. He reviewed the examination process, noting that the Division returned over \$46 million to consumers in 2010. He commented that the Division provides a variety of educational programs, grants, and public service information. Answering questions, Mr. Glendening replied that tracking multiple mortgage sales is difficult, that fines are statutory, and that the usury rate is regulated differently for payday loans. A member requested further information regarding payday loan regulations.

The meeting was adjourned at 5:00 p.m. The next meeting is scheduled for Tuesday, February 1, 2011.