

State Banking & Trust Regulation

Consequences of Not Funding this Program

There would not be appropriate regulation of state-chartered banking institutions which may cause financial harm to Kansas consumers and business. Federal regulators would still conduct examinations; however, the result would be potential loss of loans and deposits of Kansas state-chartered institutions and the conversion of banking and trust entities to national charters so appropriate regulation could be achieved.

<u>Statutory Basis</u>	<u>Mandatory vs. Discretionary</u>	<u>MOE/Match Rqt.</u>	<u>Priority Level</u>
Specific K.S.A. 9-1701; K.S.A. 75-1304; K.S.A. 74-3004	Mandatory	No	1

Program Goals

- A. Maintain independent examination turnaround time at 30 days or less
- B. Maintain Conference of State Bank Supervisor's (CSBS) accreditation
- C. Review, evaluate, and adjust hybrid examination protocol for optimal efficiency

Program History

Authority for this program and the powers of the OSBC were established in K.S.A. 9-101 et seq. The OSBC was established in 1891 by the Legislature to regulate and examine all financial institutions. The regulation of savings and loan associations, credit unions, and securities activities was later removed. Authority for the OSBC is found in K.S.A. 75-1304 et seq., while the State Banking Board is authorized by K.S.A. 74-3004 et seq.

Performance Measures

<i>Outcome Measures</i>	<i>Goal</i>	<i>FY 2019 Actuals</i>	<i>FY 2020 Actuals</i>	<i>FY 2021 Actuals</i>	<i>FY 2022 Previous Est.</i>	<i>FY 2022 Actuals</i>	<i>FY 2023 Est.</i>	<i>FY 2024 Est.</i>	<i>3- yr. Avg.</i>
1. Percent of independent bank exams	A	2%	25%	93%	95%	98%	95%	95%	72%
1.a. Percent of independent trust exams with turn around time of less than 30 days in fiscal year.	A	6%	50%	100%	95%	100%	95%	95%	83%
2. Percent of scheduled exams completed within the agency's established/scheduled timeframe of 36 months.	A	100%	100%	100%	100%	100%	100%	100%	100%
3. Average regulatory cost incurred per bank examination.	A	\$ 31,606	\$ 33,572	\$ 37,606	\$ 43,515	\$ 47,384	\$ 52,122	\$ 57,335	\$ 39,521
3.a. Average regulatory cost incurred per trust examination.	A	\$ 5,863	\$ 6,890	\$ 6,628	\$ 6,708	\$ 7,347	\$ 7,714	\$ 8,100	\$ 6,955

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Output Measures

4. Number of bank exams (joint and independent)		69	69	66	64	65	63	64	67
4.a. Number of trust exams		16	18	14	17	13	18	19	15

Additional Measures as Necessary

5. Number of state-chartered banks		191	187	183	177	177	172	166	182
6. Number of problem banks (CAMELS Rating of 3, 4, or 5)		13	15	8	9	6	9	11	10
7. Total assets of problem banks as a percentage of total bank assets		2.5%	3.1%	0.7%	1.0%	0.9%	2.5%	4.0%	1.6%

Funding

<i>Funding Source</i>	<i>FY 2019 Actuals</i>	<i>FY 2020 Actuals</i>	<i>FY 2021 Actuals</i>	<i>FY 2022 Approved</i>	<i>FY 2022 Actuals</i>	<i>FY 2023 Est.</i>	<i>FY 2024 Est.</i>	<i>3-yr. Avg.</i>
State General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0
Non-SGF State Funds	5,443,235	5,568,753	5,428,551	6,003,406	5,534,553	6,252,141	6,277,530	5,510,619
Federal Funds	-	-	-	-	-	-	-	-
Total	\$ 5,443,235	\$ 5,568,753	\$ 5,428,551	\$ 6,003,406	\$ 5,534,553	\$ 6,252,141	\$ 6,277,530	\$ 5,510,619
FTE	55	55	57	57	59	62	62	57

Consumer Mortgage Lending Program

Consequences of Not Funding this Program

Kansas consumers would not have protections such as clear terms, compliant rates/fees, as intended by the legislation that enacted the laws. If the program is not funded, licenses would not be issued and thus examinations not performed. This may lead to contract issues, fraud, and other harmful acts toward consumers.

	<u>Statutory Basis</u>	<u>Mandatory vs. Discretionary</u>	<u>MOE/Match Rqt.</u>	<u>Priority Level</u>
Specific	K.S.A. 9-1701; K.S.A. 75-1304; K.S.A. 74-3004	Mandatory	No	1

Program Goals

- A. Conduct periodic examinations of regulated entities.
B. Promote lawful business practices by informing licensees of their compliance responsibilities.

Program History

The Consumer and Mortgage Lending (CML) program oversees and supervises consumer credit lenders; mortgage lenders, servicers, and brokers; money transmitters, debt management companies, sales finance companies, and other credit providers. The CML Division administers the Uniform Consumer Credit Code, the Kansas Mortgage Business Act, Credit Services Organization Act, as well as Federal Regulation Z, RESPA, Regulation M, Fair Debt Collection Practices Act, Fair Credit Reporting Act, Equal Credit Opportunity Act, and other applicable federal laws and regulations.

Performance Measures

<i>Outcome Measures</i>	<i>Goal</i>	<i>FY 2019 Actuals</i>	<i>FY 2020 Actuals</i>	<i>FY 2021 Actuals</i>	<i>FY 2022 Previous Est.</i>	<i>FY 2022 Actuals</i>	<i>FY 2023 Est.</i>	<i>FY 2024 Est.</i>	<i>3-yr. Avg.</i>
1. Percent of scheduled exams completed within the agency's established/scheduled timeframe of 36-48 months.	A	80%	75%	87%	87%	81%	85%	85%	81%
2. Percent of completed initial examinations within 6 months of an entity licensing with the agency.	A	84%	39%	48%	50%	33%	40%	50%	40%
3. Average regulatory cost incurred per CML regulated entity examination	A	\$ 4,174	\$ 3,993	\$ 3,657	\$ 3,478	\$ 2,780	\$ 3,163	\$ 3,215	\$ 3,477

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Funding

<i>Funding Source</i>	<i>FY 2019 Actuals</i>	<i>FY 2020 Actuals</i>	<i>FY 2021 Actuals</i>	<i>FY 2022 Approved</i>	<i>FY 2022 Actuals</i>	<i>FY 2023 Est.</i>	<i>FY 2024 Est.</i>	<i>3-yr. Avg.</i>
State General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Non-SGF State Funds	3,757,614	3,249,573	3,182,611	3,354,286	3,180,444	3,618,873	3,616,989	3,204,209
Federal Funds	-	-	-	-	-	-	-	-
Total	\$ 3,757,614	\$ 3,249,573	\$ 3,182,611	\$ 3,354,286	\$ 3,180,444	\$ 3,618,873	\$ 3,616,989	\$ 3,204,209
FTE	34	34	34	34	34	34	34	34

Technology Enabled Fiduciary Financial Institutions (TEFFI)

Consequences of Not Funding this Program

Failure to fund the TEFFI Program would violate the Technology-Enabled Fiduciary Financial Institutions Act, K.S.A. 9-2301 et seq. 2022 Senate Bill 337 was effective March 10, 2022, and 2022 House Bill 2489 was effective July 1, 2022. Failure to fund would also void the completion of the TEFFI business model and eliminate Kansas' position as the only state in the union authorizing TEFFI's.

Statutory Basis	Mandatory vs. Discretionary	MOE/Match Rqt.	Priority Level
Specific K.S.A. 9-1701; K.S.A. 75-1304; K.S.A. 74-3004	Mandatory	No	1

Program Goals

- A. Evaluate rules and regulations to properly regulate TEFFI entities and amend as needed
- B. Develop examination processes and procedures to assess the operating condition of a TEFFI
- C. Conduct examinations to assess IT, BSA, and statute compliance

Program History

The TEFFI bill was introduced to the Kansas legislature during the 2021 legislative session. Senate Sub for HB 2074 was passed overwhelmingly in both the House and Senate. No program history exists as this is the first business of this kind, i.e., no other TEFFIs are in existence. For this reason, Outcome Measures and Output Measures have not yet been developed. Outcome Measures and Output Measures will be adopted as the TEFFI program gets closer to and into transactional operation.

Performance Measures

Outcome Measures	Goal	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Previous Est.	FY 2022 Actuals	FY 2023 Est.	FY 2024 Est.	3- yr. Avg.
None									

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Funding

<i>Funding Source</i>	<i>FY 2019 Actuals</i>	<i>FY 2020 Actuals</i>	<i>FY 2021 Actuals</i>	<i>FY 2022 Approved</i>	<i>FY 2022 Actuals</i>	<i>FY 2023 Est.</i>	<i>FY 2024 Est.</i>	<i>3-yr. Avg.</i>
State General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Non-SGF State Funds	-	-	-	486,029.00	284,049.00	698,771.00	719,734.00	94,683.00
Federal Funds	-	-	-	-	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ 486,029	\$ 284,049	\$ 698,771	\$ 719,734	\$ 284,049
FTE				3	2	3	3	3