



Date: January 21, 2020

To: Senate Committee on Financial Institutions and Insurance

From: Craig Heideman, President & CEO
Kaw Valley Bank, Topeka, KS

Re: Support for Senate Bill 259
Preserving Local Access to Credit for Kansans

Dear Chairman Olson and Members of the Committee:

My name is Craig Heideman and I am appearing on behalf of Kaw Valley Bank in Topeka. Thank you for the opportunity to testify today in support of SB 259

Kaw Valley Bank is a \$315 million bank with 8 locations in Topeka which will celebrate its 150th year of existence this year. We have 85 employees all of which live, work, invest and play in Shawnee or surrounding counties. Consequently, we are very interested in the quality of life and sustainability of the communities that we operate in and those that surround us.

As a participant in a very competitive lending market, I share the belief that the passage of SB 259 is critical to the accomplishment of these objectives:

1. Revitalize rural communities.
2. Benefit borrowers; and
3. Sustain local access to credit.

The headquarters for Kaw Valley Bank is located in North Topeka, just a few blocks from the Topeka Rescue Mission. We are very proud of the fact that we serve this low- to moderate-income community in Topeka, and have since 1870. We, as does every bank and savings and loan association in the country, happily comply with the Federal Community Reinvestment Act (CRA) which sees to it that we do just what its name implies – we reinvest back into our communities. Some of our competitors are not subject to CRA so there is no metric determining whether there is reinvestment back into the communities they serve. In fact, national credit union associations have strongly opposed any proposed inclusion of credit unions in revisions of the act. You need to ask yourself why that would be the case.

Kaw Valley Bank competes with tax-exempt financial institutions on all levels (deposits, consumer and business loans – even large commercial loans). The larger credit unions that have grown rapidly, income tax free, and are now larger than our bank compete with us daily on commercial loans of all sizes and types. We've lost \$1 million dollar relationships to them. We do not believe that competing on very large commercial loans was what credit unions were



granted their tax exempt status to do. Kaw Valley Bank, like most community banks, has done a great job over the years of building solid customer relationships. Our customers want to do business with us. The current tax policy is not fair to my bank customers, Why would the state put Kansas borrowers at a disadvantage for choosing to do business with a local bank?

We compete with lots of different lenders – many of them a lot larger than our bank - for these commercial loans and are up for the challenge when the score starts at 0 to 0. However, maintaining the current tax policy means that the game starts with other tax-exempt competitors having a least a touchdown advantage at the start of the game. This bill will not start the game at 0-0 for every loan I compete for, but it will allow my bank to be more competitive on interest rates when they come to my office for these types of loans.

Thank you for your time in considering this very important issue for Kansas, and when you take action on SB 259., please consider why the opposition to this bill is taking that stance if it negatively impacts the majority of Kansans.

I urge you to act favorably on the passage of this bill.