

Approved: February 9, 2000
Date

MINUTES OF THE HOUSE FINANCIAL INSTITUTIONS.

The meeting was called to order by Chairperson Ray Cox at 3:30 p.m. on February 2, 2000 in Room 527-S of the Capitol.

All members were present except: Representative Carlos Mayans - Excused

Committee staff present: Dr. Bill Wolff, Legislative Research
Bruce Kinzie, Office of Revisor
Maggie Breen, Committee Secretary

Conferees appearing before the committee: Bill Sneed - Conseco Financial Services
Sonya Allen, Kansas Bankers Association
Kevin Glendening, Office of State Bank
Commissioner
George Barbee, Kansas Association of Financial
Services

Others attending: See Attached

Chairman Cox presented the committee minutes for the January 19, 2000 meeting to the committee.

Representative Helgerson moved that the minutes be approved as written. Representative Dreher seconded the motion. The motion carried.

Chuck Stones, Kansas Bankers Association, presented written material pertaining to credit insurance consumer satisfaction that he had promised to the committee on January 26, 2000. (**Attachment 1**)

Chairman Cox asked **Dr. Wolff** to give the committee a brief rundown of **HB 2647 - Insurance; prohibiting financing of credit insurance in home loans** as a review. Dr Wolff said the crux of the bill is item (b) lines 21 through 25. It is unlawful for any creditor in a consumer home loan to finance, directly or indirectly, consumer credit consumer premiums in that loan.

Representative Grant made a motion to not pass the bill out . Representative Dreher seconded the motion. The motion carried.

Chairman Cox asked for introduction of bills. There were none.

Chairman Cox Opened the hearing on **HB 2675 - UCCC, manufactured homes**

Bill Sneed, Conseco Financial Services, said their bottom line intent on **HB 2675** is to allow pre-paid finance charges to be applicable to manufactured housing in the same respect as such pre-paid financing charges are available on traditional homes. The bill deals with two sections of the Uniform Commercial Credit Code (UCCC), one commonly referred to as 201 the other as 401. Traditionally, 401 deals with loans while 201 deals with credit sales. Manufactured homes sales transactions can involve either a loan or a credit sale. Either statute can apply at one time or another, depending upon the amount of money being financed. There has been difficulty in the UCCC's application to manufactured homes, since they are so unique. Prior to the recodification, it was a gray area as to which section applied to manufactured homes. Most companies believed that they could apply the points application to the financing. With recodification, it became clear that the way 16a-1-401 is drafted, points would not be applicable to manufactured homes. Since they weren't in (a), (b) would apply. Most people want to know what their monthly payments will be, and try to keep it as low as possible. By being able to buy down points, you are able to reduce that monthly payment. Mr. Sneed said they started out with a very simple amendment which ended up being more detailed than originally planned. So, he has an amendment to the originally proposed bill. He has since learned that there may still be some problems with the amendment. He asked that the bill not be worked today so he could meet with the proper people and work out potential problems. (**Attachment 2**)

CONTINUATION SHEET

FINANCIAL INSTITUTION, Room 527-S Statehouse at 3:30 p.m. on February 2, 2000.

Chairman Cox discontinued the hearing on **HB 2675** until February 9.

Chairman Cox opened the hearing on **HB 2676 - Board of directors, banks and trust companies**

Sonya Allen, General Counsel in the Office of the State Bank Commissioner, testified in support of **HB 2676**. It amends K.S.A. 9-1114 which currently states that a bank or trust company has to hold its annual meeting during the first 120 days of each calendar. Since April of 1996, there has been a Special Order in effect which allows state chartered banks and trust companies to hold their annual meetings on any date specified in their bylaws. The Special Order was issued because affiliated bank groups wanted to have the operational flexibility of holding annual meetings of all sister banks on the same day. She asked that the statute be changed so the Special Order would no longer be necessary. (**Attachment 3**)

Chairman Cox closed the hearing on **HB 2676 - banks and trust companies**.

Representative Sharp moved that the bill be passed out favorably and placed on the consent calendar. Representative McCreary seconded the motion. The motion carried.

The Chairman opened the hearing on **HB 2691 - UCCC, regulation of rates**

Proponents:

Kevin Glendenning, Office of the State Bank Commissioner, explained the propose of **HB 2691**. On page 2, line 3 the words “the greater of” are being struck. The intent was to allow the lender to use either county tax assessor records or a certified appraisal. The bill clarifies this. Page 2, line 36 reflects the proper rate of 61 to 90 days. This matches the intended benchmark figure used in K.S.A. 16-207 usury rate calculation. Page 8, line 23, clarifies that license application fees for supervised lenders are nonrefundable and that the licenses are nonassignable. Page 10, beginning with line 19, addresses the “blended rate” concept on non real estate closed-end consumer loans. It clarifies that the blended rate concept continues to be valid. Mr. Glendenning urged the committee to adopt these changes and to include an amendment stating it would become effective upon publication in the Kansas Register. He also asked them to proceed cautiously this year when considering other possible amendments to the Code. Generally, more time is needed to see how well last years’ changes are working. (**Attachment 4**)

George Barbee, Kansas Association of Financial Services, testified in favor of all the changes in **HB 2691** including the amendment to make it in the Kansas Register. The changes simply clarify the intent of the section. (**Attachment 5**)

Bruce Kinzie mentioned that on page 4 line 14 “16a-3-310”should read “16a-3-308a”.

Representative Minor made a motion to adopt these two amendments. Representative Grant seconded the motion. The motion carried.

Representative Dreher made a motion to pass the bill as amended . Representative Grant seconded the motion. The motion carried.

The meeting adjourned at 4:06 p.m.

The next meeting is scheduled for February 9, 2000.