

MINUTES OF THE SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE

The meeting was called to order by Chairman Ruth Teichman at 9:30 A.M. on January 26, 2006 in Room 234-N of the Capitol.

All members were present.

Committee staff present:

Melissa Calderwood, Kansas Legislative Research Department
Terri Weber, Kansas Legislative Research Department
Ken Wilke, Office of Revisor of Statutes
Bev Beam, Committee Secretary

Conferees appearing before the committee:

Kyle Kessler, SRS
Bob Day, Executive Director, Health Policy for KS
Ron Gaches, Gaches, Braden Barbee & Assoc.
Philip Holt, Security Finance
Kevin Glendening, Deputy Bank Commissioner

Others attending:

See attached list.

In the absence of Committee Chair, Vice Chair, Senator Wysong, called the meeting to order.

Bill Introduction

Kyle Kessler, SRS, introduced SRS legislative proposal, Insurance Match and Intercept and General Child Support Enforcement Related Technical Amendments. This proposal expands existing administrative child support enforcement remedies by creating procedures to identify and intercept insurance proceeds otherwise payable to child support debtors. The proposal also amends existing laws to streamline child support enforcement procedures and eliminate ambiguities. Senator Brungardt moved to approve the proposal. Senator Steineger seconded the motion. Motion passed.

Overview - Children's Health Insurance Initiatives, Ages 0 to 5

The Chair called on Dr. Robert M. Day, Director Kansas Division of Health Policy and Finance. Dr. Day gave an overview of the Governor's proposal to provide health coverage to all children through their fifth year. Dr. Day said the Governor has recommended two initiatives to help provide health insurance coverage for these children. (Attachment 1)

The Chair called for approval of the Minutes of January 17, 18, and 19. Senator Steineger moved approval. Senator Brungardt seconded the motion. Motion carried.

Hearing on (**SB 376**) - Consumer credit code; concerning alternative charges on certain consumer loans

Melissa Calderwood, Legislative Research Service, gave an overview of the bill.

The Chair asked to hear from proponents of the bill.

Ron Gaches, Gaches, Braden, Barbee & Associates, spoke on behalf of Security Finance and described their support for (**SB 376**). Mr. Gaches said the bill proposes to amend the Kansas Uniform Consumer Credit Code to authorize a new category of small consumer loans where the consumer pays a monthly installment account handling charge rather than a stated interest rate. Mr. Gaches said consumer interest rates have been deregulated in Kansas since the legislature passed a major reform of the UCCC in the late 1990's. Passage of (**SB 376**) would allow Security Finance to charge consumers a monthly fee rather than an interest rate because it is more easily understood by the consumers who are the market for these small loans, he said. (Attachment 2)

CONTINUATION SHEET

MINUTES OF THE Senate Financial Institutions and Insurance Committee at 9:30 A.M. on January 26, 2006 in Room 234-N of the Capitol.

Mr. Gaches introduced Philip Holt, Vice President Government Relations, Security Finance, and Tom Hudgins, Vice President Security Finance Corporation, to answer any questions.

Following Q and A, the Chair asked to hear from opponents of the bill.

Kevin Glendening, Deputy Commissioner, Consumer Mortgage and Lending Division, Office of the State Bank Commissioner, said the OSBC opposes (**SB 376**) as written. This bill attempts to create an exception to a very important safeguard which currently exists in the law for every other type of consumer loan in Kansas, he said. That safeguard is a prohibition against a predatory lending practice commonly referred to as “loan flipping”. Loan flipping is a practice where a borrower’s loan is repeatedly renewed by a lender for the primary purpose of generating additional fees. The language of this bill would create a strong incentive for a lender to repeatedly renew these loans. The bill would allow a new “acquisition charge” fee to be assessed with each renewal, in effect, causing the borrower to pay fees over and over for the same loan funds, inflating the actual cost to the borrower, he said. The result would be that borrowers will incur costs far in excess of those indicated by proponents of the bill. (Attachment 3)

The Chair said due to lack of time we will further address this bill another time.

The meeting adjourned at 10:30 a.m.