

MINUTES OF THE HOUSE FINANCIAL INSTITUTIONS.

The meeting was called to order by Chairperson Ray Cox at 3:30 p.m. on January 31, 2001 in Room 527-S of the Capitol.

All members were present except: Representative Bob Tomlinson - Excused

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

Conferees appearing before the committee: Judi Stork, Office of the State Bank Commissioner
Kevin Glendening, Office of the State Bank Comm.
Chuck Stones, Kansas Bankers Association
Jerel Wright, Kansas Credit Union Department
Derl Treff - Pooled Money Investment Board
Whitney Damron, Kansas Payday Loan Assoc.

Association Others attending: See attached list

Representative Cox called for bill introductions.

Judi Stork, Deputy State Bank Commissioner, requested the committee introduce two conceptual bills. 1) The Senate Committee on Financial Institutions and Insurance challenged the Banking Board a year or so ago to a) look at and review the banking powers and b) come up with suggestions for change. The OSBC has spent a year coming up with changes and still have a few they want to add. It is a banking board bill and the banking board will testify for it.

Chairman Cox said without objection the bill would be introduced.

2) The second bill had to do with the lending limits statute. They have a conceptual amendment that would change the portion of the statute that deals with dealer loans and when they attribute a loan to a dealer that has dealer papers.

Chairman Cox said without objection the bill would be introduced.

Kevin Glendening, Deputy State Bank Commissioner, said he had one conceptual bill introduction with amendments to the Kansas Mortgage Business Act. The amendments deal with including some prohibited acts in the statute as well as implementing language that will allow for continuing education requirements for loan brokers.

Chairman Cox said without objection the bill would be introduced.

Chuck Stones, Kansas Bankers Association said he had a request for a bill introduction that would readdress a highly technical bill the committee looked at last year, The Prudent Investor Rule. There is a provision from the old law that needs to be reinserted plus there are several technical amendments. (**Attachment 1**)

Chairman Cox said without objection the bill would be introduced.

Jerel Wright, Kansas Credit Union Department, had a bill introduction request which has two parts to it and possibly other cleanup items. The first deals with Kansas statutes that deal with reserving requirements for Kansas Credit Unions. The changes are due to a federal law mandating minimum capital requirements for all federally insured credit unions in Kansas. They are making sure that state-chartered institutions are not required to reserve at a higher level than federally-chartered institutions. The second provision deals with the foreign credit union statute that deals with state-chartered credit unions, located outside the state of Kansas, coming into Kansas and doing business. They are asking for rule and regulatory authority so they can be more specific as to what is required of them.

Chairman Cox said without objection the bill would be introduced.

CONTINUATION SHEET

MINUTES OF THE FINANCIAL INSTITUTIONS, Room 527-S Statehouse, at 3:30 p.m. on January 31, 2001.

Chairman Cox opened the hearing on: **HB 2169- Investment of state moneys, securities pledged**

Proponent:

Derl Treff, Pooled Money Investment Board (PMIB), said **HB 2169** proposes the amendment of two statutes. First, that K.S.A. 75-4221 be amended to require state agencies, rather than the Pooled Money Investment Board, to ensure that banks pledge sufficient collateral to secure deposits in the agency's bank accounts. The PMIB only receives a monthly statement whereas the agencies work with their banks on a daily basis and are in a much better position to ensure that adequate securities have been pledged. The bill also amends K.S.A. 75-4237 by replacing the word "bid" with the word "request." It relates to Kansas banks seeking to obtain investments of state moneys. Practically speaking, regardless of the rate "bid" by the banks, the rate paid on the deposit is determined by the market rate set by the PMIB, which is already established in Section 2.b of K.S.A. 75-4237. (**Attachment 2**)

Chairman Cox closed the hearing on: **HB 2169** and opened the hearing on: **HB 2193 - Payday loans, limitations on number of loans to same borrowers.**

Proponents:

Kevin Glendening, Office of the State Bank Commissioner, said that under the Uniform Consumer Credit Code (UCCC), a lender may not use multiple loan agreements in order to increase the financial charge paid by a borrower. When examining payday loan operations, his office has found violations of the provision. For example, instead of making one loan for \$400 and collect a fee amount of \$29, the lender would instead make four \$100 loans and collect \$60 in fees. The loan may be made the same day or over a period of several days. **HB 2193** would serve two purposes. First, by establishing a limit on the number of loans a payday lender could have outstanding to a consumer at any given time. The potential for the lender to increase fees by advancing funds through separate loans over several days would be restricted. Second, the disclosure notice will hopefully raise the awareness of consumers regarding multiple loan practices, and perhaps improve their selection of a payday lender. (**Attachment 3**)

Whitney B. Damron, representing the Kansas Payday Loan Association, appeared in support of **HB 2193** which would provide greater information to the consumer and prohibit the practice of loan splitting by payday loan operators. The Kansas Payday Loan Association is comprised of approximately 15 store owners with approximately 25 locations in Kansas. The association was created several years ago when the Legislature last considered amendments to the payday loan statutes. (**Attachment 4**)

Chairman Cox closed the hearing on **HB 2193** and said the committee would work the two bills.

HB 2169

Representative Minor made a motion to pass the bill out favorably. Representative Burroughs seconded the motion. The motion carried.

HB 2193

Representative Merrick made a motion to pass the bill out favorably. Representative Kauffman seconded the motion. The motion carried.

Chairman Cox presented the minutes for the January 29th meeting.

Representative Grant made a motion to approve the minutes as written. Representative Vickrey seconded the motion. The motion carried.

The meeting adjourned at 3:59 p.m.

The next meeting is scheduled for Monday, February 12, 2001.