

Approved February 11, 1986
Date

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE

The meeting was called to order by Sen. Neil H. Arasmith at
Chairperson

9:00 a.m. ~~p.m.~~ on February 11, 1986 in room 529-S of the Capitol.

All members were present except:

Sen. Reilly - Excused

Committee staff present:

Bill Wolff, Legislative Research
Bruce Kinzie, Revisor of Statutes

Conferees appearing before the committee:

Rita D'Agostino, Kansas Banking Department
Jim Maag, Kansas Bankers Association
Pete McGill, Kansas Independent Bankers Association
Jim Turner, Kansas League of Savings Institutions
Cheryl Bond, Fourth National Bank, Wichita
Stephen Michell, ZIP processing, Merchants National Bank, Topeka

The minutes of February 6 were approved.

The hearing began on SB 457 dealing with the deposit of security or bond by businesses selling money orders or drafts and with the submission of records of those wishing to buy a financial institution. Rita D'Agostino, Kansas Banking Department, gave testimony in support of the bill. (See Attachment I.)

In answer to the chairman's question as to if the FDIC application and the department's application are the same, Ms. D'Agostino said they are not the same at present, and the bill would eliminate duplication in filing of the applications because her department could accept the FDIC application.

Sen. Karr had a question regarding Section II of Ms. D'Agostino's testimony as to the percentage required for a new bank charter in failed bank situations. She said her testimony here was to assure the committee that the commissioner will use a percentage at least the level for FDIC requirements. The commissioner can go above that level but not below it in a failed bank situation. In response to a question by Sen. Strick, she said that the statute differs for a new charter. This concluded the hearing on SB 457.

The hearing began on SB 455 which amends the state banking code in regard to the holding of real estate acquired by banks in the satisfaction of a debt. Jim Maag, Kansas Bankers Association, testified in support of the bill. (See Attachment II.)

The chairman asked if the bill applies to all real estate, not just agriculture, and Mr. Maag said this is the case and that for it to apply just to agriculture would have caused problems.

Sen. Karr inquired if the bill addresses only state banking and not savings and loans or credit unions, and if so, should it not address all financial institutions. Mr. Maag confirmed that it addresses only state banking and said that he would have no objection to including other financial institutions. Sen. Karr inquired further as to how the problem would be solved if it had not been solved at the end of the five year extension. Mr. Maag replied that the feeling is that if a turn around does not occur by that time, the situation will be so dismal that it will not make any difference.

Pete McGill, Kansas Independent Bankers Association, followed with testimony in support of SB 455, (See Attachment III), noting that he is in agreement with the Kansas Bankers Association with the exception that he recommends a fifteen year extension rather than ten.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE,
room 529-S, Statehouse, at 9:00 a.m./~~p.m.~~ on February 11, 1986.

Jim Turner, Kansas League of Savings Institutions, appeared in support of SB 455 saying that his support does not mean that he is asking that savings and loans be included. He said that when the agriculture community is hurting, the savings and loans also are hurt. He is supportive of anything to strengthen the banks in this time of economic crisis. This concluded the hearing on SB 455.

The hearing began on SB 453 dealing with debt card liability. Jim Maag testified in support of the bill. (See Attachment IV). He introduced Cheryl Bond of the Fourth National Bank in Wichita for further testimony. She said that the personal identification number (PIN) is known only by the customer, and there is a twenty-four hour number to call if the card is lost or stolen. She feels that the bill will solve the problem of the negligent customer who is causing losses to banks.

The chairman asked what amount was lost last year by her bank due to the loss and theft of PIN cards. Ms. Bond said that the loss totaled a little over \$5,000.

Stephen Michell, ZIP processing, Merchants National Bank of Topeka, testified in support of SB 453. He stated he was in agreement with Ms. Bond's testimony. He had checked two banks for PIN loses and found that in one bank there was a loss of \$2,000 each year in the last two years. The other bank was located in a college community where more negligence occurs and had a loss of \$5,000 to \$6,000 a year. This bank had invested \$25,000 in camera equipment which had helped them reduce the loss, but it still has the operating expense for the equipment. He said the use of these cards will be increasing and, therefore, increased losses will be occurring.

Mr. Michell was in agreement with the chairman's statement that if this law were repealed it would automatically fall under the Electronic Transfer Act (EFT) and so there are actually two statutes governing the same thing.

Jim Turner followed with testimony in support of SB 453 which included a request for an amendment. (See Attachment V).

The chairman asked if this card program is profitable. Mr. Turner replied that it is questionable if it is and that it is just considered as part of services offered. He said that although there is not sufficient loss in this area, even a small loss counts because of the marginal profit. With this, the hearing on SB 453 was concluded.

The meeting was adjourned.

SENATE COMMITTEE

ON

FINANCIAL INSTITUTIONS AND INSURANCE

OBSERVERS
(Please print)

DATE	NAME	ADDRESS	REPRESENTING
2/10	Stephen MICHELL	Suite 1010 MERCHANTS BK BLDG Top, Ks	ZIP PROCESSING
"	Pete McGill	Topeka	KIBA
	Linda McGill	"	"
	Rich McKee	"	Kansas Livestock Assoc.
	Joni Turner	Topeka	KLST
	Chris Bond	Fourth Natl Bank, 200 E. Douglas, Wichita	Fourth National Bank
	Jim Mlang	"	KBA
	Michael D. Hartman	Auburn, Ks.	State Banking Dept.
	Rita D'Agostino	Topeka, Ks.	✓
	John Spurgeon		Budget Div.
	Jarel Wright	Topeka.	KCUA

TESTIMONY OF: Rita M. D'Agostino, General Counsel
Kansas Banking Department

PRESENTED TO: The Senate Committee of Financial Institutions and Insurance

DATE: February 11, 1986

Mr. Chairman, Members of the Committee:

SENATE BILL NO. 457

Section I refers to K.S.A. 9-509. We are requesting this section be amended to require \$50,000 cash, securities or bond from any person wishing to engage in the business of selling, issuing or delivering its checks, draft, money order, personal money order, bill of exchange, evidence of indebtedness or other instrument for the transmission or payment of money. In addition, a sum of \$5,000 would be required for each location beyond the initial place of business up to a ceiling of \$200,000.

The department believes that the present cash or bond of \$25,000 required is below the level adequate to protect the citizens of Kansas in the event a company engaged in such business were to go bankrupt or voluntarily liquidate.

Other midwestern states, as well as many states nationwide, require a considerably greater amount of bond from those businesses selling or issuing such money orders or drafts. Statutory requirements of a few other midwestern states are as follows:

<u>STATE</u>	<u>CASH, SECURITIES OR BOND REQUIREMENT</u>	
Illinois	\$100,000	surety bond
Iowa	\$50,000	surety bond
	\$1,000	for each add'l. selling agent (ceiling of \$200,000)
Missouri	\$25,000	surety bond
Oklahoma	\$50,000	surety bond
	\$5,000	for each location

2/11/86 S. FI+I
Attachment I

The department also received seven (7) responses from the nine (9) companies surveyed in Kansas which issue such money orders or travelers checks. Each company submitted the average monthly dollar amount of money orders and/or travelers checks outstanding as of December, 1985. The figures are as follows:

Average monthly balance of money orders and/or travelers checks:

\$1,388,233
652,921
190,951
40,577
38,577
7,846
1,846

Average of the figures listed above: \$331,565

We believe these average monthly balances clearly indicate that a \$25,000 surety bond is not sufficient to protect citizens of this state.

Section II refers to K.S.A. 9-901a. We are requesting this section be amended to allow the Bank Commissioner in failed bank situations to determine the amount of capital required for a new bank charter. In recent bank closings it has been necessary for the Commissioner to go below the required statutory amount in order to obtain a buyer of a failed institution. Hence, the department believes allowing the Commissioner to determine capital requirements on a case-by-case basis in failed bank situations is necessary to facilitate the ease and simplicity of the purchase and assumption process.

The "check-and-balance" of this section is that the minimum capital required is determined by the Commissioner provided the successor bank has obtained FDIC deposit insurance. Since FDIC will not issue insurance to a successor bank under a certain capital requirement percentage, then the Commissioner would at least be held to the minimum level of capital required by the FDIC.

Section III refers to K.S.A. 9-1722. This section, added in the 1985 session, deals with application requirements pursuant to a change in bank control.

During the last year the department has worked with this statute we have determined that some minor changes are necessary to clear up questions and problems regarding the statute.

We would like to change the requirement of submitting five (5) years of financial records to requiring three (3) years of financial information from those wishing to buy an institution. Our experience has indicated that three (3) years worth of financial data is adequate in determining the financial stability of an individual. Also, this change would mirror the three (3) years worth of financial information required by the Federal Reserve Bank ("FRB") applications.

The second change amends K.S.A. 9-1722(a)(2) by adding a sentence requiring individuals which own ten (10%) percent or more shares in a bank holding company to submit financial information. The department feels that the purpose of the statute would best be met by requiring information from those "major" (10% or more) shareholders of a bank holding company which, in effect, are controlling a bank or banks.

The last amendment to this section allows for the department to accept any application filed with the FRB or with the FDIC in lieu of that required by this section. The FDIC and FRB applications for change of control are generally acceptable for purposes of assessing the qualifications of the proposed new owners. Hence, this amendment would allow the Commissioner the flexibility of accepting these applications for purposes of review.

RMD/jas



The KANSAS BANKERS ASSOCIATION
A Full Service Banking Association

February 11, 1986

TO: Senate Committee on Financial Institutions and Insurance

RE: SB 455 - The Holding of Real Estate

Mr. Chairman and members of the Committee:

We appreciate the opportunity to appear before the committee and discuss the provisions of SB 455. This bill amends the state banking code and would allow banks to hold real estate acquired in the satisfaction of debt, purchased in satisfaction of debt, or purchased at judicial sale for a period of 10 years rather than 5 years as is allowed under current law.

As the attached article from the Wichita Eagle-Beacon shows, one of the real crises in agriculture today is the continuing decline in the value of agricultural land. This one sentence from the article puts the problem in very sharp focus: "Never in Kansas history have farmland values fallen as steeply in back-to-back years (1984-85) - not even during the worst years of the Dust Bowl and Great Depression." The economists responsible for compiling the statistics used in the article point out that one of the major reasons for the decline is the "glut of farmland on the market." This is why the KBA is requesting the passage of SB 455 which would have the impact of keeping additional agricultural land from being dumped on already depressed farmland market.

Included with this testimony is a print-out showing that all Kansas banks as of 12/31/84 held some \$268.6 million in agricultural real estate loans. This figure does not include real estate used as collateral for agricultural production loans and the dollar amount of that real estate would probably exceed \$500 million. Statistics provided by the State Banking Department show that at year-end 1983 state-chartered banks in Kansas held \$86.1 million in "other real estate" (acquired in satisfaction of debt and at judicial sale). By year-end 1984 this figure had risen to \$100.4 million and as of September 1985 it had reached \$122.2 million. There is every reason to believe this upward trend will continue in 1986.

If the banks are forced to place any significant percentage of this real estate on the market because the 5-year limitation on the holding of real estate has expired and since a large percentage of that real estate is agricultural land, it will obviously have the effect of creating an additional "glut" on the ag land market, thus driving prices down further. We believe an extension of that 5-year limitation to 10 years may well give banks the opportunity to hold that real estate until some stability has returned to the ag land market.

Senate Committee on Financial Institutions and Insurance
February 11, 1985
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We truly believe this change in the law will be of benefit not only to 400-plus Kansas banks involved in agricultural lending, but also to the farmers and ranchers of Kansas since it will give the banks more flexibility to work with their ag customers and will also keep additional amounts of farm land from being unnecessarily dumped on an already depressed market.

Thank you for your consideration of SB 455 and we strongly urge the committee to recommend the bill favorably for passage.

James S. Maag
Director of Research

JSM/ljs

Land Values Nearly Half Of '81 Prices

By Tom Webb
Staff Writer

The value of Kansas agricultural land deteriorated so severely in 1985 that a typical ranch is now worth half of its 1981 price, according to a survey released Tuesday by the Federal Reserve Bank of Kansas City.

Kansas farmland fell 19 percent in value last year, and that's atop a 20 percent drop in 1984, the survey said. Never in Kansas history have farmland values fallen as steeply in back-to-back years — not even during the worst years of the Dust Bowl and Great Depression.

"The effect that it has on farmers, it also has on banks," said Kim Norris, a researcher at the Kansas City Fed. "Obviously when farmland values fall, the value of farmers' collateral falls."

And, Norris said, that means bankers sometimes have to call in loans.

With about 24 million acres of farmland, 17 million acres of ranch land and 3½ million acres of irrigated land in Kansas, paper losses since 1981 are approaching \$13 billion.

Economists cite high interest rates, depressed crop prices, the easing of inflation and a glut of farmland on the market as major reasons farmland values have declined 44 percent since peaking in 1981. Ranch land has dropped 50 percent in value, with non-irrigated land down 39 percent, the survey said.

The findings are based on a quarterly survey of Kansas bankers. The figures are statewide averages for an acre of good farmland, so prices vary from region to region.

"The continuing decline in land values represents a continuing decline in the net worth of the land owner and a decline in the collateral value of that property," said Don Caviness, a spokesman for Wichita Farm Credit System, which holds more farmland loans than any other lender.

In the last three months of 1985, non-irrigated farmland fell another 4 percent in value, irrigated land dropped 7.5 percent and ranch land declined an average of 6 percent, the survey showed.

Figures also said that land prices nearly collapsed last fall in Oklahoma. In just three months, Oklahoma farmland values declined by 14 percent — signaling that falling oil prices also are pressuring farmland values.

"You'll recall a few years ago when energy prices were increasing, and there were some phenomenal leases paid by energy companies for exploration rights,"

● FARMLAND, 5D, Col. 1

Falling Prices Affect Farmers, Banks

● FARMLAND, From 1D

Caviness said. "That situation has totally reversed itself, and I would think that would be a major contribution to the drop in land values of those areas."

The decline is most worrisome for farmers who are selling land, and for farmers who borrow large amounts of money using their land as collateral, analysts say. Bankers are responding by demanding more collateral for loans.

"It's a contributing factor to the numerous ag bank failures that we see," said Norris.

The story is much the same throughout the Midwest. Nebraska farmland has declined in value by 51 percent since 1981. Oklahoma farmland is down 46 percent. Missouri land has dropped 46 percent.

In Kansas, good-quality farmland now sells for an average of \$428 an acre, with irrigated land bringing an average of \$667 and ranch land an average of \$196 an acre, the survey said.

Although the trend continues down, economists at the Kansas City Federal Reserve expect land prices to stabilize by the end of 1986.

Kansas Farmland Values



The value of farmland in Kansas continued its downward spiral in 1985, with all three types of land declining.

The per-acre values listed below reflect average prices for non-irrigated, irrigated and ranch land.

	NON-IRRIG.	IRRIG.	RANCH
1980	\$737	\$1,020	\$377
1981	742	1,059	393
1982	677	998	336
1983	658	957	321
1984	531	831	267
1985	428	667	196

SOURCE: Federal Reserve Bank of Kansas City survey of Kansas bankers.

Alison Kuhn/Staff Artist

The Farm Credit System also sees a bottom to the free-fall. "In some areas, prices have

stabilized and have begun to move up slightly," Caviness said. "We think that's very encouraging."

COUNTY	CITY	BANK	AMT LOANS	AMT AG RE
Allen	Humboldt	Humboldt Ntl.	16,301	1,189.973
		Allen County Bank & Trust	23,204	881.752
	Iola	Iola Bk & Trust Co	19,052	38.104
Anderson	Moran	Citizens State	2,520	55.44
	Colony	State Bank of Colony	2,193	195.177
		Garnett State Savings Bk	16,306	1,728.436
	Greeley	Kansas State Bank	7,482	149.64
		Bank of Greeley	6,663	506.388
		Bank of Kincaid	7,090	588.47
	Westphalia	State Bank	4,036	117.044
Atchison		City Ntl.	18,500	925
Atchison	Atchison	Exchange National	28,375	822.875
		Valley State Bank	6,241	299.568
		Farmers & Merchants St Bk	6,153	516.852
	Lancaster	State Bank of Lancaster	2,136	482.736
	Barber	Hardtner	Farmers State Bank	9,542
Hazelton		Farmers State Bank	2,629	160.369
Isabel		Isabel State Bank	1,815	0
Kiowa		Bank of Kiowa	11,523	57.615
		First State Bank	19,872	616.032
Medic Lodge		First Ntl.	24,825	1,067.475
Sharon		Sharon Valley State	3,798	132.93
Barton	Albert	Farmers Bank	16,513	627.494
	Beaver	Farmers State Bank	1,645	0
	Clafin	Farm & Merchants St Bk	4,849	1,624.415
	Ellinwood	Peoples State & Tr Co	43,172	345.376
	Great Bend	American St Bk & Tr Co	34,679	728.259
		First Ntl. Bk & Tr Co	60,695	667.645
		Security State Bank	28,133	253.197
	Hoisington	First Kansas Bank	1,890	0
		Hoisingotn Ntl. Bank	8,670	320.79
	Bourbon	Bronson	Bank of Bronson	7,561
Fort Scott		Citizens Ntl. of Fort Scott	40,173	241.038
		City State Bank	2,196	0
Security State Bank		40,828	898.216	
Uniontown		Union State	6,655	392.645
Brown	Everest	Union State Bank	5,113	127.825
	Fairview	Farmers State Bank	5,345	363.46
	Hiawatha	Citizens State Bk & Tr Co	35,532	319.788

COUNTY	CITY	BANK	AMT LOANS	AMT AG RE
Brown	Hiawatha	Morrill & Janes Bk & Tr Co	10,085	1,391.73
	Horton	Bank of Horton	10,553	137.189
	Robinson	Bank of Robinson	4,077	391.392
Butler	Andover	Andover State Bank	6,949	194.572
	Augusta	Augusta Bank and Trust	10,578	0
		Prairie State Bank	30,954	154.77
	Benton	Benton State Bank	6,149	135.278
	Douglass	Exchange State Bank	6,614	218.262
	El Dorado	Citizens St Bk	12,215	122.15
		First Ntl. Bank & Tr Co	36,307	36.307
		Walnut Valley State Bank	44,216	574.808
	Leon	State Bank of Leon	2,330	216.69
	Potwin	Potwin State	4,948	816.42
	Rose Hill	Rose Hill State	16,331	2,547.636
	Towanda	Towanda State	2,156	120.736
	Whitewater	Bank of Whitewater	7,487	67.383
	Chase	Cedar Point	Cedar Point State Bank	2,107
Cottnwd Fal		Exchange National	17,112	342.24
Elmdale		Peoples Exchange Bank	3,001	114.038
Strong City		Chase County Bank	995	10.945
Chautauqua	Cedar Vale	Cedar Vale State Bank	8,043	667.569
	Sedan	First Ntl.	15,144	832.92
		Sedan State	19,711	1,478.325
Cherokee	Baxter Spr	American National Bank	24,955	549.01
	Baxter Sprgs	Baxter State Bank	8,121	609.075
	Columbus	Columbus State Bank	18,533	1,241.711
		First National	23,697	1,729.881
	Galena	Citizens State Bk	6,452	51.616
	Weir	Citizens Bank	2,708	197.684
	Cheyenne	Bird City	Security State Bank	6,763
St Francis		Cheyenne County State	17,831	320.958
		Citizens State	19,124	994.448
Clark	Ashland	Citizens State Bank	8,005	88.055
		Stock Growers State Bank	15,120	287.28
	Minneola	Peoples State	3,160	60.04
Clay	Clay Center	Peoples National	22,296	2,809.296
		Union State Bank	21,807	1,199.385
	Wakefield	Farmers & Merchants St	3,216	16.08
Cloud	Clyde	Elk State Bank	7,568	423.808

COUNTY	CITY	BANK	AMT LOANS	AMT AG RE	
Cloud	Clyde	Exchange Bank of Clyde	6,018	337.008	
	Concordia	Cloud County Bank & Trust	19,227	3,441.633	
		First Bank & Trust	37,128	371.28	
		First Ntl. Bank of Glasco	4,165	329.035	
	Jamestown	Jamestown State Bank	3,708	285.516	
Coffey	Miltonvale	Citizens State	1,665	108.225	
	Aliceville	Farmers State Bank	1,972	0	
	Burlington	Peoples Ntl.	10,449	177.633	
		Strawn State Bank	8,719	113.347	
	Gridley	Citizens State Bank	9,833	422.819	
	Le Roy	First Ntl.	5,346	0	
	Lebo	State Bank	5,477	71.201	
	Waverly	First Ntl.	5,736	74.568	
	Comanche	Coldwater	Coldwater Ntl. Bank	2,952	203.688
			Peoples State Bank	8,543	299.005
Protection		Bank of Protection	5,675	56.75	
Cowley	Wilmore	Wilmore State	1,428	151.368	
	Ark City	Home Ntl.	47,930	4,409.56	
		Union State Bank	12,645	189.675	
	Atlanta	Citizens State Bank	3,803	106.484	
	Burden	State Bank of Burden	2,527	0	
	Dexter	Farmers State Bank	3,102	0	
	Udall	Bank of Commerce	1,256	99.224	
	Winfield	First Ntl.	31,676	221.732	
		State Bank	7,858	188.592	
	Crawford	Arcadia	Home State Bank	112	3.024
Arma		First State Bank	2,327	0	
Frontenac		Miners State Bank	6,808	115.736	
Girard		First Ntl. Bank of Girard	13,830	1,908.54	
		Girard Ntl. Bank	16,887	472.836	
Hepler		Hepler State Bank	2,972	416.08	
Mc Cune		Mc Cune State Bank	6,273	106.641	
Pittsburg		City Nat Bank	18,516	0	
		First State Bk & Tr Co	31,554	31.554	
		Ntl. Bank of Pittsburg	45,445	908.9	
Decatur	Walnut	Farmers State	3,916	0	
	Jennings	Jennings Bank	3,989	75.791	
	Norcatatur	Citizens State	4,332	0	
	Oberlin	Decatur Cty Nb of Oberlin	16,060	240.9	

COUNTY	CITY	BANK	AMT LOANS	AMT AG RE
Decatur	Oberlin	Farmers Nb of Oberlin	15,186	1,275.624
Dickinson	Abilene	Citz. Bank	15,946	1,004.598
		Farmers Ntl.	26,226	1,075.266
		First Ntl.	17,890	339.91
	Chapman	Chapman State Bank	9,561	219.903
	Enterprise	Dickinson County Bank.	3,591	14.364
	Herington	Bank of Herington	4,911	117.864
		First Ntl.	13,018	0
	Hope	First Ntl.	14,085	478.89
	Solomon	Solomon State	7,732	626.292
	Talmage	Talmage State	9,112	54.672
	Woodbine	Citizens State	1,190	0
Doniphan	Bendena	Bendena State Bank	4,266	375.408
	Denton	Bank of Denton	2,195	63.655
	Elwood	First State Bank	7,009	161.207
	Highland	Farmers State Bank	4,104	45.144
	Troy	First Bank	3,454	103.62
		Troy State	5,031	316.953
	Wathena	Farmers State	9,709	1,398.096
	White Cloud	First State	3,548	273.196
Douglas	Baldwin City	Baldwin State Bank	11,469	240.849
	Eudora	Kaw Valley State Bank	10,123	313.813
	Lawrence	Douglas County Bank	38,280	535.92
		First Ntl.	71,828	215.484
		Lawrence Ntl. Bk & Tr Co	42,437	212.185
		University State Bank	17,855	160.695
Edwards	Kinsley	Kinsley Bank	11,330	226.6
	Lewis	Home State Bank	12,001	456.038
	Offerle	Farmers State	6,401	57.609
Elk	Howard	First Ntl.	4,385	228.02
		Howard State Bank	4,402	220.1
	Longton	Home State	3,841	864.225
	Moline	Exchange State Bank	2,263	38.471
Ellis	Ellis	Ellis State Bank	5,381	102.239
	Hays	Farmers State Bk & Tr Co	48,912	684.768
		First Ntl.	34,511	552.176
		Hays State Bank	33,426	0
	Victoria	Farmers Ntl.	17,884	482.868
Ellsworth	Ellsworth	Citizens Bank & Trust Co	24,537	637.962

COUNTY	CITY	BANK	AMT LOANS	AMT AG RE
Ellsworth	Holyrood	Bank of Holyrood	8,529	238.812
	Kanopolis	Kanopolis State Bank	5,872	651.792
	Lorraine	Lorraine State	3,289	65.78
	Wilson	Wilson State	3,635	76.335
Finney	Garden City	Fidelity State Bank	54,258	1,302.192
		Fourth Bk of Garden City	7,722	92.664
		Garden Ntl.	53,557	214.228
		Western State Bank	21,093	168.744
	Holcomb	First Ntl.	2,227	109.123
Ford	Bucklin	Bucklin State Bank	3,735	183.015
		Farmers State	15,802	189.624
	Dodge City	Bank of the Southwest	15,452	46.356
		Fidelilty State	44,435	399.915
		First National	54,050	972.9
	Spearville	First Ntl.	6,042	66.462
Ford County State		3,402	71.442	
Franklin	Ottawa	First Ntl.	7,441	290.199
		Kansas State Bank	10,688	448.896
		Peoples Nb & Tr Ottawa	23,357	163.499
	Pomana	Citizens State	2,483	124.15
	Richmond	Peoples State	4,914	280.098
	Wellsville	Wellsville Bank	13,123	813.626
Geary	Junct City	Central Nb of Junct City	32,171	1,415.524
		First Nat Bk & Tr Co	18,678	18.678
		First State Bank	14,657	102.599
Geary-Riley	Fort Riley	Fort Riley Ntl. Bank	5,378	0
Gove	Grainfield	Citizens State Bank	4,153	373.77
	Grinnell	Peoples State Bank	2,707	13.535
	Quinter	First Ntl.	14,804	74.02
Graham	Bogue	Farmers State Bank	6,177	0
		Hill City	Consolidated State Bank	15,416
	Morland	F & M Bank of Hill City	15,677	203.801
		Citizens State	5,648	327.584
Grant	Ulysses	Grant County State	45,113	2,255.65
		Southwest Kansas Ntl.	1,821	202.131
Gray	Cimarron	First Ntl Bank in Cimarron	14,217	142.17
	Ingalls	Farmers State Bank	19,495	253.435
	Montezuma	Montezuma State	16,227	48.681
Greeley	Tribune	First Ntl.	14,706	1,691.19

COUNTY	CITY	BANK	AMT LOANS	AMT AG RE
Greenwood	Eureka	Home Bank	18,395	404.69
	Eureka	Citizens National	14,633	526.788
	Fall River	Fall River State Bank	2,536	190.2
	Hamilton	First Ntl.	2,822	45.152
	Madison	First Ntl.	5,136	138.672
		Madison Bank	6,040	380.52
	Severy	Severy State	417	40.032
Hamilton	Syracuse	First Ntl.	17,446	2,390.102
		Valley State	12,089	120.89
Harper	Anthony	Citz. Ntl.	21,443	385.974
		First Ntl.	22,432	785.12
	Attica	First Ntl.	5,714	228.56
	Freeport	Freeport State Bank	2,344	220.336
	Harper	First Ntl.	18,236	601.788
Harvey	Burrton	State Bank of Burrton	3,599	71.98
	Halstead	Halstead Bank	12,434	845.512
	Hesston	Hesston State Bank	16,707	701.694
	Newton	First Bank	11,020	44.08
		Kansas State Bank	34,990	384.89
		Midland Ntl. Bank	32,295	96.885
	Sedgwick	Sedgwick State	5,242	335.488
	Walton	Walton State	1,333	126.635
Haskell	Satanta	State Bank	11,441	251.702
	Sublette	Haskell County State	23,544	70.632
Hodgeman	Hanston	Hanston State Bank	10,164	111.804
	Jetmore	Farmers State Bank	3,430	233.24
Jackson	Circleville	Farmers State Bank	6,445	238.465
		Denison State Bank	16,227	373.221
	Holton	Kansas State Bank	13,505	1,458.54
		State Bank	4,022	64.352
Jefferson	Mc Louth	Bank of Mc Louth	5,937	225.606
	Meriden	State Bank	8,229	74.061
	Nortonville	Bank of Nortonville	5,351	149.828
	Oskaloosa	State Bank	6,312	1,079.352
	Perry	Bank of Perry	6,512	117.216
	Valley Falls	Kendall State	7,527	436.566
Jewell	Burr Oak	Burr Oak State Bank	2,886	66.378
	Esbon	State Bank of Esbon	1,967	0
	Formoso	Formoso Bank	2,437	17.059

COUNTY	CITY	BANK	AMT LOANS	AMT AG RE	
Jewell	Jewell	Citizens State Bank	3,864	170.016	
	Mankato	First Ntl.	3,874	42.614	
		State Exchange Bank	5,320	0	
Johnson	Randall	Randall Bank	2,514	115.644	
	De Soto	De Soto State Bank	4,289	231.606	
	Fairway	First Ntl of Shaw Mission	28,330	113.32	
	Gardner	Farmers Bank & Trust Co	12,970	635.53	
		Gardner Ntl. Bank	775	40.3	
	Lenexa	Country Hill Bank	19,675	19.675	
		First Ntl. Bank & Tr Co	18,070	686.66	
		Lenexa Ntl.	15,943	0	
	Merriam	United Kansas Bk & Tr	36,872	331.848	
	Mission	Mission Bank	221,152	442.304	
	Olathe	First Ntl.	46,312	185.248	
		Heritage Bank	7,908	0	
	Olathe	Patrons State Bk & Tr Co	64,112	1,795.136	
		Olathe State	16,941	0	
		Overland Pk	College Blvd Ntl.	23,492	0
			Corporate Woods State	18,305	0
		First Continental Bk & Tr	88,444	88.444	
Kansas American Bank		15,902	270.334		
Metcalf State		26,191	26.191		
Oak Park Ntl.		19,818	0		
Overland Pk St Bk & Tr Co		61,173	305.865		
Valley View State		168,353	1,515.177		
Overlank Pk	First Ntl. Bk of Overland	3,417	0		
Prairie Vill	Johnson Co B & T	128,242	0		
	Kansas Nat Bk & Tr Co	32,488	32.488		
	Southgate Bank	58,315	0		
Roeland Prk	Midamerican Bk & Tr Co	150,536	0		
Shaw Missn	Mission Hills Bank Na	13,516	0		
Shawnee	Citizens Bank & Trust	47,092	47.092		
	Shawnee State	65,812	460.684		
Spring Hill	State Bank	7,512	307.992		
Stanley	State Bank	18,710	243.23		
Kearny	Lakin	Kearny County Bank	15,905	206.765	
Kingman	Cunningham	First Ntl. Bank	4,488	0	
	Kingman	First Ntl.	9,106	182.12	
		SState Bank	17,337	1,872.396	

COUNTY	CITY	BANK	AMT LOANS	AMT AG RE
Kingman	Murdock	Murdock State	3,084	111.024
	Norwich	Farmers State	10,118	424.956
Kiowa	Greensburg	Greensburg State Bank	4,794	393.108
	Haviland	Haviland State Bank	5,355	904.995
	Mullinville	First State	11,892	71.352
Labette	Altamont	Labette County State Bank	7,680	1,059.84
	Chetopa	Chetopa St Bk & Tr Co	12,468	573.528
	Edna	First State Bank	6,084	596.232
	Oswego	American State	6,994	97.916
		First Ntl.	16,286	2,377.756
	Parsons	First Nb and Tr Company	16,336	865.808
		Parsons Commercial	20,518	246.216
State Bk		8,157	163.14	
Lane	Dighton	First Ntl. Bank of Dighton	17,490	0
	Healy	First State Bank	12,160	206.72
Leavenworth	Easton	Easton State Bank	12,687	1,636.623
	Fort Lvnw	Army National	47,327	1,893.08
	Lansing	First State Bank	9,142	127.988
	Leavenwrth	First Nb & Tr Co	24,143	989.863
		Leavenworth Ntl. Bk & Tr	29,925	179.55
		Manufacturers State Bank	21,557	603.596
Tonganoxie	First State Bank & Trust	16,923	406.152	
Lincoln	Barnard	Barnard State Bank	3,909	195.45
	Beverly	Beverly State Bank	2,196	226.188
	Lincoln	Farmers Ntl.	7,067	219.077
		Saline Valley Bank	7,361	522.631
Linn	Sylvan Grov	Sylvan State	6,965	90.545
	Blue Mound	Farmers State Bank	5,023	286.311
	Centerville	Centerville State Bank	1,375	177.375
	La Cygne	Linn County Bank	8,896	1,192.064
	Mound City	Farmers & Merchants	10,401	540.852
	Pleasanton	Bank of Pleasanton	10,992	868.368
		First State Bank	7,658	1,186.99
Prescott	Prescott State	2,391	74.121	
Logan	Oakley	Farmers State	22,864	503.008
	Winona	Farmers State	6,261	194.091
Lyon	Americus	Americus State Bank	3,132	12.528
	Emporia	Admire Bank & Trust	11,143	189.431
		Citizens National	59,112	650.232

<u>COUNTY</u>	<u>CITY</u>	<u>BANK</u>	<u>AMT LOANS</u>	<u>AMT AG RE</u>	
Lyon	Emporia	Emporia State Bk	33,799	33.799	
		Lyon County State Bank	18,422	55.266	
	Hartford	Hartford State Bank	5,671	164.459	
	Olpe	Olpe State	7,850	525.95	
Marion	Reading	Reading State	1,288	24.472	
	Burns	Burns State Bank	2,413	139.954	
	Durham	Durham State Bank	2,025	76.95	
	Florence	Florence State Bank	3,507	94.689	
	Goessel	Wheatland Bk of Goessel	4,400	48.4	
	Hillsboro	First Ntl.	18,484	480.584	
	Lincolnvill	Pilsen State	3,679	150.839	
	Marion	Marion	Farmers & Drovers Ntl.	4,565	447.37
			Marion Ntl.	5,198	88.366
		Peabody	Peabody State	10,052	512.652
		Ramona	Ramona State	1,368	60.192
	Tampa	Tampa State	6,025	771.2	
Marshall	Axtell	State Bank of Axtell	6,130	128.73	
	Beattie	Marshall Co. Bank	2,815	104.155	
	Blue Rapids	State Bank of Blue Rapids	8,050	24.15	
	Bremen	Bremen State Bank	1,669	80.112	
	Frankfort	First National	6,806	585.316	
	Marysville	Marysville	Citizens State	14,523	1,176.363
			Exc Bk Schmidt & Koester	45,098	856.862
		Oketo	Blue Valley Ntl.	4,035	4.035
		Summerfld	First Ntl.	1,418	0
		Vermillion	Vermillion State	4,538	95.298
		Waterville	Citizens State	4,976	288.608
McPherson	Canton	Farmers State Bk & Tr Co	6,502	0	
		State Bank of Canton	6,504	904.056	
	Galva	Farmers State Bank	3,659	124.406	
	Inman	Bank of Inman	6,467	219.878	
	Lindsborg	Farmers State	14,353	2,095.538	
	Marquette	Marquette Farmers St	5,020	271.08	
	McPherson	McPherson	Home State Bank & Tr Co	22,545	247.995
			McPherson Bank & Trust	54,420	1,033.98
			Peoples Bank & Tr Co	22,801	182.408
		Moundridge	Citizens State	13,021	143.231
		Roxbury	Roxbury State	2,990	170.43
Meade	Fowler	Fowler State Bank	7,098	127.764	

COUNTY	CITY	BANK	AMT LOANS	AMT AG RE	
Meade	Meade	First Ntl.	12,434	87.038	
	Plains	Plains State	10,916	458.472	
Miami	Louisburg	Bank of Louisburg	16,936	1,388.752	
		First Nb	10,653	117.183	
	Osawatomie	American State	5,932	925.392	
		First Bank & Trust	22,013	1,672.988	
	Paola	Citizens State	10,796	1,230.744	
Mitchell	Beloit	Miami City Ntl.	34,902	2,652.552	
		First Ntl. Bank	15,695	47.085	
		Guaranty State Bank	20,020	620.62	
	Cawker City	Farm & Merchants St Bk	3,377	30.393	
	Glen Elder	Traders State Bank	5,834	0	
	Hunter	Farmers State	2,119	186.472	
	Simpson	Farmers State	883	37.969	
	Tipton	Tipton State	2,780	105.64	
	Montgomery	Caney	Caney Valley National	12,905	374.245
		Cherryvale	Peoples State Bank	13,579	1,710.954
Coffeyville		Coffeyville State Bank	16,334	32.668	
		Condon National	27,985	475.745	
		First Ntl. Bk of Coffeyville	48,177	2,601.558	
Elk City		First Ntl. Bank	2,989	59.78	
Independce		Citizens Nb in Independy	27,805	1,334.64	
		Independence State Bank	27,703	304.733	
Morris	Council Grve	Council Grove Ntl. Bank	4,556	191.352	
		Farmers & Drovers Bank	17,605	510.545	
	Dwight	Farmers State Bank	3,154	85.158	
Morton	White City	First Ntl.	8,246	255.626	
	Elkhart	First State Bank	13,481	229.177	
Nemaha	Bern	State Bank of Bern	8,655	527.955	
	Centralia	First National	9,882	98.82	
	Corning	Farmers State Bank	1,264	80.896	
	Goff	First Ntl. Bank of Goff	1,483	117.157	
	Sabetha	Farmers State	15,510	666.93	
			Morrill State Bank & Tr Co	10,294	216.174
			Baileyville State	4,364	222.564
	Seneca		Citizens State	19,404	504.504
			Community Ntl.	1,058	56.074
		Wetmore	First Ntl.	3,077	80.002
Neosho	Chanute	Bank of Commerce	44,878	2,423.412	

COUNTY	CITY	BANK	AMT LOANS	AMT AG RE
Neosho	Chanute	First Ntl. Bank of Chanute	34,467	68.934
	Erie	Home State Bank	13,111	930.881
	St Paul	Exchange State	13,158	855.27
	Stark	Stark State Bank	5,086	91.548
	Thayer	First State	5,155	268.06
Ness	Bazine	Bazine State Bank	16,546	148.914
	Ness City	First State	14,266	1,512.196
	Ransom	First State	8,799	334.362
	Utica	Citizens State	3,821	30.568
Norton	Almena	First State Bank	3,629	217.74
	Lenora	Exchange Bank	7,224	794.64
	Norton	First Security Bk & Tr Co	17,608	404.984
	Norton	First State	12,479	0
Osage	Burlingame	First State Bank	9,347	373.88
	Carbondale	State Bank of Carbondale	4,125	37.125
	Lyndon	Lyndon State	8,295	522.585
	Osage City	Citizens State	10,634	138.242
	Overbrook	First Security Kansas State Bank	6,445 9,786	528.49 274.008
Osborne	Downs	Downs Ntl. Bank	7,392	332.64
		State Bank of Downs	14,315	2,233.14
	Natoma	First Ntl.	12,753	382.59
	Osborne	Farmers Ntl.	10,431	323.361
		First State Bank & Tr Co	6,561	26.244
	Portis	First State	748	0
Ottawa	Bennington	Bennington State Bank	24,590	1,475.4
	Delphos	State Bank of Delphos	5,813	232.52
	Minneapolis	United Bank	16,442	131.536
	Tescott	Bank of Tescott	16,451	1,793.159
Pawnee	Burdett	Burdett State Bank	8,127	1,430.352
	Larned	First Ntl. Bk & Tr	35,149	1,616.854
		First State Bk & Tr Co	26,428	951.408
Phillips	Agra	Farmers Ntl.	9,512	542.184
	Logan	First Ntl.	2,545	244.32
	Long Island	Commercial State	6,474	45.318
	Phillipsburg	First Nb of Phillipsburg	37,877	1,477.203
	Stuttgart	Farmers State	2,920	143.08
Pottawator	Olsburg	Union State	5,001	160.032
	Onaga	First Ntl.	10,689	1,197.168

COUNTY	CITY	BANK	AMT LOANS	AMT AG RE
Pottawator	St Marys	St Marys State	15,852	1,173.048
	Wamego	First Ntl.	17,225	516.75
		Kaw Valley State Bk & Tr	12,319	135.509
Pratt	Westmrland	Farmers State	12,246	624.546
	Coats	Coats State Bank	4,587	64.218
	Iuka	Iuka State Bank	2,272	29.536
	Pratt	First Ntl.	21,635	194.715
		Peoples Bank	39,994	879.868
Rawlins	Atwood	Farmers Bank & Trust	16,947	1,965.852
		State Bank of Atwood	15,347	92.082
	Herndon	State Bank of Herndon	3,726	163.944
	Ludell	Farmers State	1,269	0
	Mc Donald	Peoples State	5,873	88.095
Reno	Arlington	Citizens State Bank	3,211	359.632
	Buhler	Buhler State Bank	6,607	0
	Haven	Haven State Bank	7,221	173.304
	Hutchinson	Central State Bank	59,544	654.984
		Commerce Bank	10,727	0
		First Ntl.	63,938	191.814
		Hutchinson Ntl. Bank & Tr	102,605	2,052.1
	Nickerson	Nickerson State	9,554	191.08
	Plevna	State Bank	796	47.76
	Pretty Prair	State Bank	4,606	492.842
	South Hutch	Bank of Kansas	16,577	0
	Sylvia	Sylvia State	2,618	26.18
	Turon	Turon State	7,705	231.15
	Yoder	Farmers State	7,758	62.064
	Republic	Belleville	First National	10,132
Peoples Ntl			7,808	218.624
Courtland		Swedish American St.	7,679	230.37
Munden		Munden State	7,463	104.482
Scandia		State Bank	3,906	589.806
Rice	Alden	Alden State Bank	2,368	357.568
	Bushton	Bushton State Bank	5,182	20.728
	Chase	Rice County State Bank	5,328	154.512
	Geneseo	Citizens State Bank	1,942	161.186
	Little River	Home State	1,432	47.256
	Lyons	Chandler Bank	3,620	72.4
Lyons State Bank		15,644	907.352	

COUNTY	CITY	BANK	AMT LOANS	AMT AG RE	
Rice	Raymond	Raymond State	2,286	91.44	
	Sterling	Farmers State	13,958	111.664	
		First Ntl.	7,859	172.898	
Riley	Leonardville	Leonardville State	3,787	151.48	
	Manhattan	Citizens Bank & Trust Co	37,745	754.9	
		First Nb	51,665	0	
		Kansas State Bank	22,873	137.238	
		Union Nb&Tc	65,636	328.18	
	Riley	Riley State	10,236	593.688	
Rooks	Palco	First Ntl.	2,718	296.262	
	Plainville	Plainville State	13,308	79.848	
	Stockton	Stockton Ntl.	15,596	1,871.52	
	Woodston	Rooks County State	1,725	346.725	
Rush	Alexander	Alexander State Bank	4,013	4.013	
	Bison	Bison State Bank	2,763	226.566	
		F&M State Bk of Rush City	24,516	2,034.828	
		Home State Bank	10,679	640.74	
	Mc Craken	Citizens State	9,199	119.587	
	Nekoma	Nekoma State	1,385	98.335	
	Otis	Otis State	6,581	289.564	
	Timken	Timken State	3,717	561.267	
	Russell	Gorham	Gorham State Bank	6,694	508.744
		Lucas	Farmers State	7,780	217.84
Luray		Peoples State	7,779	70.011	
Russell		Home State	47,053	3,340.763	
		Russell State	42,153	3,540.852	
Saline	Assaria	Assaria State Bank	5,654	706.75	
	Falun	Falun State Bank	1,816	3.632	
	Gypsum	Gypsum Valley Bank	8,187	892.383	
	Salina	First Bank & Trust Co	15,662	0	
		First Nb & Tc of Salina	78,542	942.504	
		Nat Bk of America	51,320	975.08	
		Planters Bank & Trust Co	52,656	1,579.68	
Scott	Scott City	First Ntl.	31,922	0	
		Security State	35,041	981.148	
Sedgwick	Bentley	State Bank of Bentley	1,513	16.643	
	Cheney	Citizens State Bank	14,166	566.64	
	Clearwater	Home State Bank	10,135	40.54	
	Colwich	State Bank of Colwich	20,132	2,113.86	

COUNTY	CITY	BANK	AMT LOANS	AMT AG RE
Sedgwick	Derby	Farm & Merchants St Bank	41,269	536.497
		First Ntl Bank of Derby	10,948	21.896
	Garden Plain	Garden Plain State Bank	8,574	94.314
		Goddard	Suburban West State Bank	9,760
	Haysville	First Ntl.	2,885	0
		Haysville State Bank	37,637	75.274
	Maize	Maize State Bank	4,355	348.4
	Mount Hope	First Nb of Mount Hope	5,463	458.892
	Valley Cntr	Arkansas Valley State	26,958	781.782
		Wichita	Bank of Mid America	22,071
	Boulevard State		72,994	0
	Central Bank & Trust	49,531	49.531	
	Charter Bank Na	1,483	0	
	Chisholm Trail State	15,157	15.157	
	City Bank & Trust	18,094	54.282	
	East Side Bank & Trust	31,929	31.929	
	First Ntl.	352,358	1,057.074	
	Fourth Ntl. Bk & Tr	623,885	1,247.77	
	Kansas State Bank & Tr	145,764	1,020.348	
	Ntl. Bank of Wichita	23,505	117.525	
SW Ntl.	64,493	709.423		
Twin Lakes State	15,996	0		
Union Ntl. Bank	196,997	0		
United American Bk & Tr	36,555	1,498.755		
Wichita State	50,559	151.677		
Seward	Liberal	Citizens State Bank	33,078	2,844.708
		First Ntl.	48,626	437.634
		Peoples Ntl.	45,368	680.52
Shawnee	Auburn	Security State Bank	5,843	157.761
	Rossville	Peoples State	12,936	232.848
	Silver Lake	Silver Lake State	6,822	961.902
	Topeka	Captital City St Bk & Tr	18,345	366.9
		Columbian Ntl. Bk & Tr Co	2,412	77.184
	Commerce Bank & Trust	65,558	0	
	Fairlawn Plaza State	17,866	0	
	Fidelity State Bank & Tr	23,478	23.478	
	First Ntl.	217,415	434.83	
	First State Bank & Tr Co	2,920	17.52	
Highland Park Bank & Tr	44,110	220.55		

COUNTY	CITY	BANK	AMT LOANS	AMT AG RE
Shawnee	Topeka	Kaw Valley St Bank & Tr	38,918	77.836
		Merchants Ntl.	164,314	1,314.512
		North Plaza State	24,608	221.472
		Southwest Bank & Trust	16,185	1,213.875
		Topeka Bank & Trust	17,843	392.546
Sheridan	Hoxie	First Ntl.	22,452	404.136
		Hoxie State Bank	28,767	0
	Selden	Selden State	272	26.112
Sherman	Goodland	First Ntl Bk of Goodland	37,003	703.057
		Goodland State Bk & Tr Co	16,468	526.976
Smith	Gaylord	Farmers Ntl. Bk of Gaylord	795	0
	Kensington	First Nb of Kensington	2,339	44.441
	Lebanon	First Ntl.	2,674	184.506
	Smith Cntr	First Ntl.	21,510	1,419.66
		Smith City St Bk & Tr	16,691	1,518.881
Stafford	Hudson	Hudson State Bank	4,364	685.148
	Macksville	Farmers & Merchants St	10,364	72.548
		Macksville State	6,511	188.819
	St John	First Ntl. Bank & Trust	16,169	808.45
		St John Ntl.	13,743	27.486
	Stafford	Farmers Ntl.	7,862	361.652
Stanton	Johnson	Johnson State Bank	11,364	1,068.216
Stevens	Hugoton	Citizens State Bank	30,928	216.496
Sumner	Argonia	Farm & Merchants State	16,678	533.696
	Belle Plaine	Valley State Bank	18,828	263.592
	Caldwell	Caldwell State Bank	8,281	223.587
		Stock Exchange Bank	9,152	732.16
	Conway Spgs	First Ntl. Bank	7,648	22.944
		State Bank of	6,606	66.06
	Mayfield	Mayfield State	1,619	0
	Mulvane	Mulvane State	10,366	310.98
	Oxford	Oxford Bank	4,888	122.2
	Wellington	Bank of Commerce & Tr	15,138	666.072
First Ntl.		21,155	296.17	
Security State		11,995	731.695	
Thomas	Brewster	Brewster Ntl. Bank	3,044	0
	Colby	Farmers & Merchants Bank	42,232	1,013.568
		Thomas County Ntl.	26,249	708.723
	Rexford	Peoples State	315	0

COUNTY	CITY	BANK	AMT LOANS	AMT AG RE	
Trego	Wakeeney	First Bank	6,188	0	
		Trego Wakeeney State	15,581	451.849	
Wabaunsee	Alma	First Ntl.	9,080	172.52	
	Alta Vista	Alta Vista State Bank	4,424	513.184	
	Eskridge	Eskridge State Bank	8,103	129.648	
	Harveyville	First Ntl.	2,615	0	
	Maplehill	Stockgrowers State	2,841	357.966	
Wallace	Sharon Sprg	Peoples State	7,940	571.68	
Washington	Barnes	State Exchange Bank	2,547	112.068	
	Clifton	First Ntl. Bank in Clifton	2,094	83.76	
	Greenleaf	Citizens Ntl.	10,063	161.008	
	Haddam	Citizens State Bank	135	0	
	Hanover	Community State Bank	9,151	384.342	
	Linn	Linn State Bank	6,949	187.623	
	Palmer	Bank of Palmer	2,524	103.484	
	Washington	First Ntl.	18,495	628.83	
	Wichita	Leoti	First State	17,664	52.992
	Wilson	Fredonia	First Ntl. Bank in Fredonia	10,708	299.824
State Bank of Fredonia			17,545	421.08	
Neodesha		First Name Bank	15,317	214.438	
Woodson	Piqua	Piqua State	3,455	269.49	
	Toronto	First Ntl.	1,855	96.46	
	Yates Cntr	State Exchange Bank	20,534	636.554	
Wyandotte	Bonner Sprgs	Commercial State Bank	21,335	128.01	
		First National	599	0	
	Edwardsville	Edwardsville State Bank	7,209	129.762	
	Kansas City	Arrowhead State Bank	16,280	16.28	
		Brotherhood Bank & Tr Co	54,104	108.208	
		Commercial Ntl. Bank	136,907	1,095.256	
		Douglass Bank	9,193	0	
		Fidelity State Bank	25,699	539.679	
		First State Bank of KC	21,136	147.952	
		Guaranty State Bank & Tr	32,145	0	
		Home State Bank	60,426	241.704	
		Industrial State Bank	61,480	430.36	
		Kaw Valley State Bk & Tr	22,798	22.798	
Rosedale St Bk & Tr Co		20,481	20.481		
Security Ntl. Bank	244,959	1,224.795			
Tower State Bank	28,056	0			

COUNTY	CITY	BANK	AMT LOANS	AMT AG RE
Wyandotte	Kansas City	Turner State Bank	8,123	16.246
		Twin City State Bank	27,111	162.666
	Wyandotte	Westgate State	19,601	58.803
		Wyandotte Bank	30,522	274.698
Total:			11,936,624	268,661.078
Count:		628		

National Banking Laws

Authority to hold real estate

12 USC 29—A national banking association may purchase, hold, and convey real estate for the following purposes, and for no others:

- 1st. Such as shall be necessary for its accommodation in the transaction of its business.
- 2nd. Such as shall be mortgaged to it in good faith as a way of security for debts previously contracted.
- 3rd. Such as shall be conveyed to it in satisfaction of debts previously contracted in the course of its dealings.
- 4th. Such as it shall purchase at sales under judgments, decrees, or mortgages held by the association, or shall purchase to secure debts due to it.

But no such association shall hold the possession of any real estate under mortgage, or the title and possession of any real estate purchased to secure any debts due to it, for a longer period than five years, except as otherwise provided in this section.

For real estate in the possession of a national banking association upon application by the association, the comptroller of the Currency may approve the possession of any such real estate by such association for a period longer than five years, but not to exceed an additional five years, if (1) the association has made a good faith attempt to dispose of the real estate within the five-year period, or (2) disposal within the five-year period would be detrimental to the association. Upon notification by the association to the Comptroller of the Currency that such conditions exist that require the expenditure of funds for the development and improvement of such real estate, and subject to such conditions and limitations as the Comptroller of the Currency shall prescribe, the association may expend such funds as are needed to enable such association to recover its total investment.

Notwithstanding the five-year holding limitation of this section or any other provision of this title, any national banking association which on the date of enactment of this paragraph held, directly or indirectly, real estate, including any subsurface rights or interests therein, that on or after December 31, 1979, had not been valued on the books of such association for more than a nominal amount, may continue to hold such real estate, rights, or interests for such longer period of time as would be permitted a State chartered bank by the law of the State in which the association is located if the aggregate amount of earnings from such real estate, rights, or interests is separately disclosed in the annual financial statements of the association.

Change of name or location

12 USC 30—(a) Any national banking association, upon written notice to the Comptroller of the Currency, may change its name, except that such new name shall include the word "National".

(b) Any national banking association, upon written notice to the Comptroller of the Currency, may change the location of its main office to any authorized branch loca-

tion within the limits of the city, town, or village in which it is situated, or, with a vote of shareholders owning two-thirds of the stock of such association for relocation outside such limits and upon receipt of a certificate of approval from the Comptroller of the Currency, to any other location within or outside the limits of the city, town, or village in which it is located, but not more than thirty miles beyond such limits.

Effect of change of name

12 USC 31—All debts, liabilities, rights, provisions, and powers of the association under its old name shall devolve upon and inure to the association under its new name.

Effect of change of name or location

12 USC 32—Nothing contained in sections 30 and 31 of this title shall be so construed as in any manner to release any national banking association under its old name or at its old location from any liability, or affect any action or proceeding in law in which said association may be or become a party or interested.

Conversion of State banks into national banks

12 USC 35—Any bank incorporated by special law of any State or of the United States or organized under the general laws of any State or of the United States and having an unimpaired capital sufficient to entitle it to become a national banking association under the provisions of the existing laws may, by the vote of the shareholders owning not less than fifty-one per centum of the capital stock of such bank or banking association, with the approval of the Comptroller of the Currency be converted into a national banking association with a name that contains the word "national": *Provided, however,* That said conversion shall not be in contravention of the State law. In such case the articles of association and organization certificate may be executed by a majority of the directors of the bank or banking institution, and the certificate shall declare that the owners of fifty-one per centum of the capital stock have authorized the directors to make such certificate and to change or convert the bank or banking institution into a national association. A majority of the directors, after executing the articles of association and the organization certificate, shall have power to execute all other papers and to do whatever may be required to make its organization perfect and complete as a national association. The shares of any such bank may continue to be for the same amount each as they were before the conversion, and the directors may continue to be directors of the association until others are elected or appointed in accordance with the provisions of the statutes of the United States. When the Comptroller has given to such bank or banking association a certificate that the provisions of this Act have



Senate Committee on Financial
Institutions and Insurance

February 11, 1986

P.O. Box 389 • Carbondale, Kansas 66414 • 913/564-9287

Dear Senator:

Kansas needs to keep viable farmers in business to stabilize farm real estate prices, farm machinery prices, employment and business in rural Kansas. The legislature, community banks, businesses, and farmers need to work together to develop and foster new ideas that will allow business and agriculture to adjust to the new economic climate.

The extension of time for Other Real Estate owned by banks from 5 years to 10 years (with a four year extension), as proposed by Senate Bill 455, is one way of lending a helping hand to rural Kansas on a sound basis without added expense to the state or local government.

The Kansas Independent Bankers Association supports the concept of Senate Bill 455. However, we respectfully suggest your consideration of an amendment to SB 455 which would extend the current time period for carrying O.R.E. as a bank asset from 5 years to 15 years. Sufficient time must be allowed to recover the equity position of our farmers and small businesses in rural communities. By allowing lenders some flexibility of Other Real Estate disposal through SB 455, it can have the effect of stabilizing land values.

If such an extension of time is allowed for banks to carry Other Real Estate on their books, the farmers have a better opportunity to buy back real estate and show a positive cash flow. Throughout the time that land is listed as Other Real Estate by the bank, taxes are paid to support local and state government.

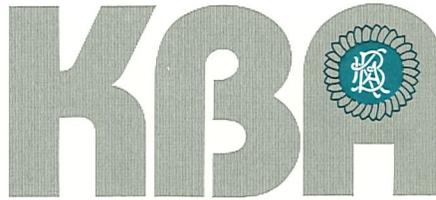
There are many recovery plans for agriculture. Some are costly to government. Some are costly to lenders. Many are costly to farmers. We believe that if Senate Bill 455, (with the proposed amendment to extend the limitation to 15 years) is adopted, it can be cost effective for both farmers and borrowers and without cost to the government for its enactment. Your support of this concept is appreciated.

Cordially,

J. Sue Anderson
Executive Director

Presented by Pete McGill

2/11/86 S. FI & I
Attachment III



The KANSAS BANKERS ASSOCIATION
A Full Service Banking Association

February 11, 1986

TO: Senate Committee on Financial Institutions and Insurance

RE: SB 453 - Debit-card liability

Mr. Chairman and members of the Committee:

The State Affairs Committee of the Kansas Bankers Association is requesting that SB 453 which repeals K.S.A. 9-1111d be considered for passage. Currently that statute provides that if a person loses or has their automated teller machine (ATM) access card stolen their liability cannot exceed \$50 under any circumstance. This has resulted in significant losses to banks involved in ATM networks since there is no incentive for the cardholder to make a prompt reporting of the loss or theft. We are requesting that K.S.A. 9-1111d be repealed and that federal law and regulation be allowed to regulate cardholder liability in situations involving the loss or theft of these access cards.

The federal Electronic Fund Transfer Act (the "EFT Act") and Federal Reserve Board Regulation E provide for cardholder liability of up to \$500 in a 60-day period if the cardholder fails to notify the bank of the loss or theft of the access card within two business days and, as a result unauthorized transfers occur which could have been prevented by giving notice within the two business days. If notice is given within two business days, the cardholder's maximum exposure is \$50. However, paragraph (b) (5) of Section 205.6 of Regulation E states that if state law allows for a lesser liability the state provision must take precedent over federal regulation.

As noted above, banks involved in ATM networks are experiencing large losses due to unauthorized transfers using lost or stolen access cards. Many of these losses could have been avoided if the cardholders had made prompt notification, but Kansas law discourages such prompt notification since the cardholder's liability is going to be the same whether they notify the bank within 2 days or 20 days.

When this problem is considered together with the fact that the thief or finder of the access card must also have discovered the cardholder's personal identification number (PIN) - which the cardholder must have negligently written on the card itself or attached to the card - then it is difficult to rationalize the minimal penalty imposed for not promptly reporting the loss or theft. By requiring the cardholder to give prompt notice the federal regulation creates a more equitable balance between the need for consumer protection and the need to limit the card issuer's exposure to ATM fraud losses. Therefore, we believe the repeal of K.S.A. 9-1111d which would then allow Regulation E to govern access card liability is vital to the continuation of sound AMT systems in Kansas.

Office of Executive Vice President • 707 Merchants National Building
Eighth and Jackson • Topeka, Kansas 66612 • (913) 232-3444

2/11/86 S. FI+I
Attachment IV

Senate Committee on Financial Institutions and Insurance
February 11, 1985
Page Two

Thank you for the opportunity to appear before the committee on the provisions of SB 453 and we strongly urge the committee to give favorable consideration to the measure.

James S. Maag
Director of Research

JSM/ljs

(2) If two or more consumers hold a joint account from or to which electronic fund transfers can be made, the financial institution need provide only one set of the disclosures required by the regulation for each account.

(c) *Additional information; disclosures required by other laws.* At the financial institution's option, additional information or disclosures required by other laws (for example, Truth in Lending disclosures) may be combined with the disclosures required by this regulation.

6-308

SECTION 205.5—Issuance of Access Devices

(a) *General rule.* A financial institution may issue an access device to a consumer only:

- (1) In response to an oral or written request or application for the device,^{1b} or
- (2) As a renewal of, or in substitution for, an accepted access device, whether issued by the initial financial institution or a successor.
- (3) As a renewal of, or in substitution for, an access device issued before February 8, 1979 (other than an accepted access device, which can be renewed or substituted under paragraph (a)(2) of this section), provided that the disclosures set forth in sections 205.7(a)(1), (2), and (3) accompany the renewal or substitute device; except that for a renewal or substitution that occurs before July 1, 1979, the disclosures may be sent within a reasonable time after the renewal or substitute device is issued.

6-309

(b) *Exception.* Notwithstanding the provisions of paragraph (a)(1) of this section, a financial institution may distribute an access device to a consumer on an unsolicited basis if:

- (1) The access device is not validated;
- (2) The distribution is accompanied by a complete disclosure, in accordance with section 205.7(a), of the consumer's rights and liabilities that will apply if the access device is validated;

^{1b} In the case of a joint account, a financial institution may issue an access device to each account holder for whom the requesting holder specifically requests an access device.

(3) The distribution is accompanied by a clear explanation that the access device is not validated and how the consumer may dispose of the access device if validation is not desired; and

(4) The access device is validated only in response to the consumer's oral or written request or application for validation and after verification of the consumer's identity by any reasonable means, such as by photograph, fingerprint, personal visit, or signature comparison.

An access device is considered validated when a financial institution has performed all procedures necessary to enable a consumer to use it to initiate an electronic fund transfer.

6-310

(c) *Relation to Truth in Lending.* (1) The act and this regulation govern:

- (i) Issuance of access devices;
 - (ii) Addition to an accepted credit card, as defined in 12 CFR 226.12(a)(2), footnote 21 (Regulation Z), of the capability to initiate electronic fund transfers; and
 - (iii) Issuance of access devices that permit credit extensions only under a preexisting agreement between a consumer and a financial institution to extend the credit when the consumer's account is overdrawn or to maintain a specified minimum balance in the consumer's account.
- (2) The Truth in Lending Act (15 USC 1601 et seq.) and 12 CFR Part 226 (Regulation Z), which prohibit the unsolicited issuance of credit cards, govern

- (i) Issuance of credit cards as defined in 12 CFR 226.2(a)(15);
- (ii) Addition of a credit feature to an accepted access device; and
- (iii) Issuance of credit cards that are also access devices, except as provided in paragraph (c)(1)(iii) of this section.

6-311

SECTION 205.6—Liability of Consumer for Unauthorized Transfers

(a) *General rule.* A consumer is liable, within the limitations described in paragraph (b) of

this section, for unauthorized electronic fund transfers involving the consumer's account only if:

- (1) The access device used for the unauthorized transfers is an accepted access device;
- (2) The financial institution has provided a means (such as by signature, photograph, fingerprint, or electronic or mechanical confirmation) to identify the consumer to whom the access device was issued; and
- (3) The financial institution has provided the following information, in writing, to the consumer:

(i) A summary of the consumer's liability under this section, or under other applicable law or agreement, for unauthorized electronic fund transfers and, at the financial institution's option, notice of the advisability of promptly reporting loss or theft of the access device or unauthorized transfers.

(ii) The telephone number and address of the person or office to be notified in the event the consumer believes that an unauthorized electronic fund transfer has been or may be made.

(iii) The financial institution's business days, as determined under section 205.2

(d), unless applicable state law or an agreement between the consumer and the financial institution sets a liability limit not greater than \$50.

6-312

(b) *Limitations on amount of liability.* The amount of a consumer's liability for an unauthorized electronic fund transfer or a series of related unauthorized transfers shall not exceed \$50 or the amount of unauthorized transfers that occur before notice to the financial institution under paragraph (c) of this section, whichever is less, unless one or both of the following exceptions apply:

- (1) If the consumer fails to notify the financial institution within two business days after learning of the loss or theft of the access device, the consumer's liability shall not exceed the lesser of \$500 or the sum of

(i) \$50 or the amount of unauthorized electronic fund transfers that occur before the close of the two business days, whichever is less, and

(ii) The amount of unauthorized electronic fund transfers that the financial institution establishes would not have occurred but for the failure of the consumer to notify the institution within two business days after the consumer learns of the loss or theft of the access device, and that occur after the close of two business days and before notice to the financial institution.

(2) If the consumer fails to report within 60 days of transmittal of the periodic statement any unauthorized electronic fund transfer that appears on the statement, the consumer's liability shall not exceed the sum of

(i) The lesser of \$50 or the amount of unauthorized electronic fund transfers that appear on the periodic statement or that occur during the 60-day period, and

(ii) The amount of unauthorized electronic fund transfers that occur after the close of the 60 days and before notice to the financial institution and that the financial institution establishes would not have occurred but for the failure of the consumer to notify the financial institution within that time.

6-313

(3) Paragraphs (b)(1) and (2) of this section may both apply in some circumstances. Paragraph (b)(1) shall determine the consumer's liability for any unauthorized transfers that appear on the periodic statement and occur before the close of the 60-day period, and paragraph (b)(2)(ii) shall determine liability for transfers that occur after the close of the 60-day period.

(4) If a delay in notifying the financial institution was due to extenuating circumstances, such as extended travel or hospitalization, the time periods specified above shall be extended to a reasonable time.

(5) If applicable state law or an agreement between the consumer and financial institu-

tion imposes lesser liability than that provided in paragraph (b) of this section, the consumer's liability shall not exceed that imposed under that law or agreement.

6-314

(c) *Notice to financial institution.* For purposes of this section, notice to a financial institution is given when a consumer takes such steps as are reasonably necessary to provide the financial institution with the pertinent information, whether or not any particular officer, employee, or agent of the financial institution does in fact receive the information. Notice may be given to the financial institution, at the consumer's option, in person, by telephone, or in writing. Notice in writing is considered given at the time the consumer deposits the notice in the mail or delivers the notice for transmission by any other usual means to the financial institution. Notice is also considered given when the financial institution becomes aware of circumstances that lead to the reasonable belief that an unauthorized electronic fund transfer involving the consumer's account has been or may be made.

6-315

(d) *Relation to Truth in Lending.* (1) A consumer's liability for an unauthorized electronic fund transfer shall be determined solely in accordance with this section if the electronic fund transfer

(i) Was initiated by use of an access device that is also a credit card as defined in 12 CFR 226.2(a)(15), or

(ii) Involves an extension of credit under an agreement between a consumer and a financial institution to extend the credit when the consumer's account is overdrawn or to maintain a specified minimum balance in the consumer's account.

(2) A consumer's liability for unauthorized use of a credit card that is also an access device but that does not involve an electronic fund transfer shall be determined solely in accordance with the Truth in Lending Act and 12 CFR 226 (Regulation Z).

6-316

SECTION 205.7—Initial Disclosure of Terms and Conditions

(a) *Content of disclosures.* At the time a consumer contracts for an electronic fund transfer service or before the first electronic fund transfer is made involving a consumer's account, a financial institution shall disclose to the consumer, in a readily understandable written statement that the consumer may retain, the following terms and conditions of the electronic fund transfer service, as applicable:

(1) A summary of the consumer's liability under section 205.6, or other applicable law or agreement, for unauthorized electronic fund transfers and, at the financial institution's option, the advisability of promptly reporting loss or theft of the access device or unauthorized transfers.

(2) The telephone number and address of the person or office to be notified when the consumer believes that an unauthorized electronic fund transfer has been or may be made.

(3) The financial institution's business days, as determined under section 205.2(d).

(4) The type of electronic fund transfers that the consumer may make and any limitations on the frequency and dollar amount of transfers. The details of the limitations need not be disclosed if their confidentiality is essential to maintain the security of the electronic fund transfer system.

(5) Any charges for electronic fund transfers or for the right to make transfers.

(6) A summary of the consumer's right to receive documentation of electronic fund transfers, as provided in sections 205.9, 205.10(a), and 205.10(d).

(7) A summary of the consumer's right to stop payment of a preauthorized electronic fund transfer and the procedure for initiating a stop-payment order, as provided in section 205.10(c).

(8) A summary of the financial institution's liability to the consumer for its failure to make or to stop certain transfers under section 910 of the act.

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me else to use it.

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205.6(a)(2))

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some reasonable means
(§ 205.5(b)(4))

suance—verification of

identity. Must an institution verify identity by one of the methods listed in the regulation?

A: No, they are merely examples. Any reasonable means of verifying identity will comply. Even if an institution uses reasonable means, however, if it fails to verify identity correctly—so that an imposter succeeds in having a device validated—the consumer is not liable for any unauthorized transfers from the consumer's account. (§§ 205.5(b)(4), 205.2(a)(2), and 205.6(a)(1))

Q5-9: Unsolicited issuance—access device with overdraft feature. The regulation permits the unsolicited issuance of an access device. Under this provision, may an institution issue a combined credit card/access device to a consumer, without a request or application for the card?

A: Yes, provided that (1) the only credit feature is a preexisting overdraft credit line attached to the consumer asset account (or a similar line of credit that maintains a specified minimum balance in the account), and (2) the institution complies with the regulation's procedures for an unsolicited issuance. (§ 205.5(c)(1)(iii))

Q5-10: Unsolicited issuance—other combined credit card/access devices. Does the answer to question 5-9 mean that an institution is prohibited from issuing, on an unsolicited basis, any other type of combined credit card/access device?

A: No. Section 226.12(a)(1) of Regulation Z (Truth in Lending) permits creditors to issue, on an unsolicited basis, a card that may become a credit card provided that (1) the card at the time of issuance has a substantive purpose other than obtaining credit and cannot be used as a credit card and (2) any credit privilege that subsequently attaches is attached only upon the consumer's request. (The substantive purpose could be to initiate electronic fund transfers.) The rules of Regulation E on unsolicited issuance of access devices will, of course, continue to apply. (§§ 205.5(c)(2)(iii) and (b))

SECTION 205.6—Liability of Consumer for Unauthorized Transfers

Q6-1: Unauthorized transfers—access device not involved. If unauthorized transfers do not involve the use of an access device such as a debit card, may any liability be imposed on the consumer?

A: If the consumer fails to report an unauthorized electronic fund transfer within 60 days of transmittal of the periodic statement reflecting the transfer, the consumer could be subject to liability. (See questions 2-26 and 7-7.) (§ 205.6(a) and (b))

Q6-2: Failure to disclose business days. If a financial institution meets other conditions (including disclosure of liability) but fails to disclose its business days, can it hold the consumer liable for unauthorized transfers involving a lost or stolen access device?

A: No, unless applicable state law or an agreement between the consumer and the financial institution sets a liability limit of \$50 or less. (§ 205.6(a)(3)(iii))

Q6-3: Means of identification—multiple users. If more than one access device is issued to access a particular consumer account, must the financial institution provide a means to identify each separate user in order to impose liability for unauthorized transfers?

A: No. The financial institution may provide means to identify the separate users but is not required to do so. (§ 205.6(a)(2))

Q6-4: Means of identification—use of PIN. Does the use of a personal identification number (PIN) or other alphabetical or numerical code satisfy the requirement of electronic or mechanical confirmation for identifying the consumer to whom an access device was issued?

A: Yes. (§ 205.6(a)(2))

~~Q6-5: Application of liability provisions.~~
What are some examples of when and how the following would apply: (1) the \$500 liability limit provision, (2) both the \$500

limit and the unlimited liability provisions, and (3) only the \$50/unlimited liability provisions? (§ 205.6(b)(1), (2) and (3))

A: Situation 1—\$500 Limit Applies

Date	Event
June 1	C's card is stolen.
June 2	\$100 unauthorized transfer.
June 3	C learns of theft.
June 4	\$25 unauthorized transfer.
June 5	Close of two business days.
June 7-8	\$600 in unauthorized transfers that could have been prevented had notice been given by June 5.
June 9	C notifies bank.

Computation of C's liability:

Paragraph (b)(1) will apply to determine C's liability for any unauthorized transfers that occur before notice is given.

	<i>C's liability:</i>
Amount of transfers before close of two business days: \$125	\$ 50 (maximum liability for this period)
Amount of transfers, after close of two business days and before notice to institution, that would not have occurred but for C's failure to notify within two business days: \$600	\$450 (because maximum liability is \$500)
C's total liability	<u>\$500</u>

Situation 2—Both \$500 and Unlimited Liability Provisions Apply

Date	Event
June 1	C's card is stolen.
June 3	C learns of theft.
June 5	Close of two business days.
June 7	\$200 unauthorized transfer that could have been prevented had notice been given by June 5.
June 10	Periodic statement is transmitted to C (for period from May 10 to June 9).
June 15	\$200 unauthorized transfer that could have been prevented had notice been given by June 5.
July 10	Periodic statement of C's account is transmitted to C

August 4	(for period from June 10 to July 9). \$300 unauthorized transfer that could have been prevented had notice been given by June 5.
August 9	Close of 60 days after transmittal of statement showing unauthorized transfer.
August 10	Periodic statement of C's account is transmitted to C (for period from July 10 to August 9).
August 15	\$100 unauthorized transfer that could have been prevented had notice been given by August 9.
August 20	C notifies bank.

Computation of C's liability:

Paragraph (b)(1) will apply to determine C's liability for unauthorized transfers that appear on the periodic statement and unauthorized transfers that occur before the close of the 60-day period. (The transfers need not both appear on the periodic statement and occur before the close of the 60-day period.) The maximum liability under (b)(1) is \$500.

	<i>C's liability:</i>
Amount of transfers before close of two business days: \$0	\$ 0
Amount of transfers, after close of two business days and before close of 60-day period, that would not have occurred but for C's failure to notify within two business days: \$700	\$500 (maximum liability)
Amount of transfers, after close of 60 days and before notice, that would not have occurred but for C's failure to notify within 60 days: \$100	\$100
C's total liability:	<u>\$600</u>

Paragraph (b)(2)(ii) will apply to determine C's liability for transfers occurring after the close of the 60-day period. There is no dollar ceiling on liability under paragraph (b)(2)(ii).

Situation 3—\$50/ sions Apply

Facts same as in does not learn c tions the account on August 20 transfers.

Computation of
In this situatio applies.

Amount of transfers ap- appearing on the periodic state- ment or occur- ring during the 60-day period: \$700

Amount of transfers, after close of 60-day period and be- fore notice, that would not hav- occurred but f- C's failure to notify within 6- days: \$100

C's total liability:

Q6-6: *Knowledge o- vice.* May a financi- sumer's receipt of reflects unauthoriz- that the consumer- theft of the access

A: Receipt of the p- unauthorized trans- factor in determin- had knowledge of t- be deemed to rep- that the consum- (§ 205.6(b))

Q6-7: *Notice of lo-* gives notice at an- ber other than tha-

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C's liability:
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\$600

Situation 3—\$50/Unlimited Liability Provi-
 sions Apply

Facts same as in situation 2, except that C
 does not learn of the card theft, but ques-
 tions the account balance and notifies bank
 on August 20 of possible unauthorized
 transfers.

Computation of C's liability

In this situation only paragraph (b)(2)
 applies.

	<i>C's liability:</i>	
Amount of transfers ap- pearing on the periodic state- ment or occur- ring during the 60-day period: \$700	\$ 50	(maximum liability for this period)
Amount of transfers, after close of 60-day period and be- fore notice, that would not have occurred but for C's failure to notify within 60 days: \$100	\$100	
C's total liability:	<u>\$150</u>	

Q6-6: *Knowledge of loss or theft of access de-
 vice.* May a financial institution treat the con-
 sumer's receipt of a periodic statement that
 reflects unauthorized transfers as establishing
 that the consumer had knowledge of loss or
 theft of the access device?

A: Receipt of the periodic statement reflecting
 unauthorized transfers may be considered a
 factor in determining whether the consumer
 had knowledge of the loss or theft, but cannot
 be deemed to represent conclusive evidence
 that the consumer had such knowledge.
 (§ 205.6(b))

Q6-7: *Notice of loss or theft.* The consumer
 gives notice at an address or telephone num-
 ber other than that specified by the financial

institution. Is the notice valid for purposes of
 limiting the consumer's liability?

A: Yes. The institution has received notice for
 purposes of limiting the consumer's liability if
 notice is given in a reasonable manner at some
 other address or telephone number of the in-
 stitution. (§ 205.6(c))

Q6-8: *Notice of loss or theft—content of notice.*
 The regulation refers to the consumer's taking
 such steps as are reasonably necessary to pro-
 vide the financial institution with the perti-
 nent information about the loss or theft of an
 access device. If a consumer is unable to fur-
 nish the institution with an account number
 or card number when reporting a lost or sto-
 len access device, has the consumer given ade-
 quate notice?

A: Yes. In instances where the consumer is
 unable to provide the number, the notice is
 still valid for purposes of limiting the consum-
 er's liability if the notification otherwise suffi-
 ciently identifies the account in question. Such
 a situation could arise, for example, if the con-
 sumer's wallet is stolen and the consumer is
 away from home. (§ 205.6(c))

Q6-9: *Applicable liability provisions—cash ad-
 vances from credit line.* A credit card that is
 also an access device is used to obtain unau-
 thorized cash advances from a line of credit at
 an automated teller machine. Do the consum-
 er liability provisions of Regulation E, or
 those of Regulation Z, apply?

A: Regulation Z applies. Since the unau-
 thorized cash advances do not involve a
 consumer asset account, an electronic fund
 transfer has not occurred that would make
 the transaction subject to Regulation E.
 (§ 205.6(d)(2))

Q6-10: *Applicable liability provisions—check-
 ing account with overdraft feature.* If the unau-
 thorized transfers in question 6-9 were in-
 stead withdrawals from a checking account
 and they resulted in cash advances from an
 overdraft line of credit, which liability provi-
 sions apply?

A: Regulation E applies, because the transfer

was an electronic fund transfer; there was an extension of credit only as a consequence of the overdraft protection feature on the checking account. (§ 205.6(d)(1))

Q6-11: Applicable liability provisions—withdrawals from checking account/credit line. If a consumer's access device is also a credit card and the device is used to make unauthorized withdrawals from the checking account and, separately, to obtain cash advances directly from the line of credit, which liability provisions apply?

A: Both Regulation E and Regulation Z apply. Regulation E would apply to the unauthorized transfers involving the checking account, while Regulation Z would apply to the transfers involving the credit line. As a result, a consumer might be liable for up to \$50 under Regulation Z and, in addition, for \$50, \$500, or an unlimited amount under Regulation E. (§ 205.6(d))

SECTION 205.7—Initial Disclosure of Terms and Conditions

Q7-1: Timing of disclosures—early disclosure. An institution is required to give initial disclosures either (1) when the consumer contracts for an EFT service or (2) before the first electronic fund transfer to or from the consumer's account. If an institution provides initial disclosures when a consumer opens a checking account and the consumer does not sign up for an EFT service until 11 months later, has the institution satisfied the disclosure requirements?

A: Yes, if the EFT contract is between the consumer and a third party for preauthorized electronic transfers to be initiated by the third party to or from the consumer's account. In this case, the financial institution need not repeat disclosures previously given unless the terms and conditions required to be disclosed are different from those that were given.

If, on the other hand, the EFT contract is directly between the consumer and the financial institution—for the issuance of an access device, or for a telephone bill-payment plan, for example—the institution should provide

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the disclosures at the time of contracting. Disclosures given before the time of contracting will satisfy the regulation only if they occurred in close proximity thereto. (§ 205.7(a))

Q7-2: Timing of disclosures—Social Security direct deposits. In the case of Social Security direct deposits, the financial institution receives no prenotification. How can the institution comply with the disclosure requirements?

A: Before direct deposit of Social Security payments can occur, both the consumer and the institution must complete a Form 1199. The institution can make disclosures at that time. (§ 205.7(a))

Q7-3: Form of disclosures. Are there special rules for disclosure statements concerning such matters as type size, number of pages, or the relative conspicuousness of various terms?

A: No. The regulation imposes no requirements concerning matters of form, although it does specify that the disclosures must be given in a readily understandable written statement that the consumer may retain. (§ 205.7(a))

Q7-4: Spanish language disclosures. In Puerto Rico, where communications normally are in Spanish, may a financial institution provide the required disclosures in Spanish?

A: Yes, disclosures in Spanish will satisfy the readily understandable requirement, provided that disclosures in English are given to consumers who request them. (§ 205.7(a))

Q7-5: Disclosures covering all EFT services offered. Must the disclosure statement given to a consumer relate only to the particular EFT services that the consumer will receive?

A: An institution may provide a disclosure statement covering all the EFT services that the institution offers, even if some consumers receiving the disclosures have not arranged to use all the services. (§ 205.7(a))

Q7-6: Addition of new EFT services. A consumer signs up for an EFT service and receives disclosures. If the consumer later arranges for other EFT services from the same

institution, must disclosures be given?

A: Yes, if the institution's disclosures and conditions are given at the time of the initial disclosure and also in the case of a new service. (See question 6.)

Q7-7: Disclosures—preauthorized transfers—preauthorized electronic fund transfers. Must a financial institution make a disclosure before a consumer makes a preauthorized transfer to or from the consumer's account?

A: Yes, unless the institution imposes any liability on the consumer. The disclosure should reflect the terms and conditions of the transfer. (See question 6.)

Q7-8: Disclosures—no liability. If a consumer chooses not to use a preauthorized electronic fund transfer, must the institution make any liability disclosures?

A: No; the institution is not required to make any liability disclosures until the consumer uses the transfer. However, it must make a disclosure before it can do so.

Q7-9: Summary of disclosures. Must a financial institution provide a summary of the required disclosures to a consumer at the time the disclosures are set forth?

A: No. These disclosures may be provided by means of summaries or examples showing the disclosures to be provided, such as in appendix A and (8).

Q7-10: Type of disclosures. Must a financial institution provide a disclosure to a consumer before a consumer makes a preauthorized transfer? Must a financial institution make a disclosure to a consumer before a consumer makes a preauthorized transfer? Must a financial institution make a disclosure to a consumer before a consumer makes a preauthorized transfer? Must a financial institution make a disclosure to a consumer before a consumer makes a preauthorized transfer?

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Kansas League of Savings Institutions

JAMES R. TURNER, President • Suite 612 • 700 Kansas Ave. • Topeka, KS 66603 • 913/232-8215

February 11, 1986

TO: SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE
FROM: JIM TURNER, KANSAS LEAGUE OF SAVINGS INSTITUTIONS
RE: AMENDMENTS TO S.B. 453

The Kansas League of Savings Institutions requests that the committee consider the following amendments to S.B. 453:

1. On line 17 after K.S.A. 9-1111d by inserting "and K.S.A. 17-5569",
2. On line 20 after K.S.A. 9-1111d by inserting "and K.S.A. 17-5569".

These amendments would maintain conformity between the bank and savings and loan statutes pertaining to machine-readable debit cards.

James R. Turner
President

JRT:jc

2-11-86 S. FI&I
Attachment V