Approved: March 10, 1993
Date

MINUTES OF THE HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE.

The meeting was called to order by Chairperson William Bryant at 3:30 p.m. on March 9, 1993 in Room 527-S of the Capitol.

All members were present except: Representative Kenneth King, Excused

Committee staff present: William Wolff, Legislative Research Department
Bruce Kinzie, Revisor of Statutes
Nikki Feuerborn, Committee Secretary

Conferees appearing before the committee: Kevin Glendening, State Banking Department
Bud Grant, KCCI
James Maag, KBA

Others attending: See attached list

Hearing for SB 30: Regulation of interstate banking, prohibiting "leapfrogging"

Kevin Glendening of the State Banking Department stated that the original intent of the interstate banking law was to prohibit "leapfrogging" by out-of-state banks and the addition of the language in this bill would clarify this situation (Attachment 1). The bill would also require the divestiture of either direct or indirect control of a Kansas bank within two years if "leapfrogging" should occur.

The Community Bankers Association of Kansas presented written testimony supporting the bill (Attachment 2).

Hearing on SB 33: Change in terms of open end credit accounts under the UCCC.

Bud Grant, KCCI, stated that the bill is a request to change the notification requirements to a single notice at least 30 days in advance which is now required when changing the finance charge rate, rather than the three written notices with the first notice being six months prior to the effective date of change (Attachment 3). 38 states have adopted this policy.

William F. Caton, Consumer Credit Commissioner, presented supportive written testimony (Attachment 4).

Hearing on SB 35: Definition of "contracting trustee"

James Maag, Kansas Bankers Association, said this bill would give trust departments of state-chartered banks the authority to enter into agreements with other financial institutions to offer trust services (Attachment 5). Four amendments were offered:

1. Clarify that trust departments of national banks are also eligible to offer such services.

2. Amend the definition of "contracting trustee" to include trust departments of both state and national banks.

3. Require approval by the state bank commissioner of any agreement entered into under the current provisions before the agreement can become effective.

4. Make technical changes by striking "company" on Line 14 of Page 2.

Representative Cornfield moved that SB 32 be passed out favorably to the Consent Calendar. Representative Helgerson seconded the motion. The motion carried.

Representative Gilbert moved that the minutes of March 8 be approved as presented. Representative Correll seconded the motion. The motion carried.

The meeting adjourned at 4:30 p.m. The next meeting will be on March 10, 1993.

GUEST LIST

COMMITTEE: I&D DATE: 3/9/93

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATIO
Kevin Glendening	Topeka	State Banking Dept.
Bill GRANT	"	"
Boyd GRANT	"	KCCI
Chuck Stones	"	KBA
TOM GARRETT	CARBONDALE	VIVA
Jerel Wright	Topeka	Ks CU Assn
BILL HENRY	Topeka	Trust Co. of KS
Jim Mazs	Topeka	KBA
Kathey Taylor	"	"
David A. Ross	"	Ks. Assn. Life Underwriters

STATE OF KANSAS

Frank D. Dunnick
Bank Commissioner

Judi M. Stork
Deputy Commissioner

Kevin C. Glendening
Assistant Deputy Commissioner

Ruth E. Glover
Administrative Officer

OFFICE OF

BANKING DEPARTMENT
TOPEKA

TESTIMONY BEFORE

THE HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE

March 9, 1993

SENATE BILL 30 amends K.S.A. 9-532 by adding section (d) to clarify the language of this statute. In reviewing legislative testimony and in speaking with individuals involved with the passage of the interstate banking law, it was the clear intent that "leapfrogging" not be allowed. By "leapfrogging" I am referring to the example where an Illinois holding company would purchase a Missouri holding company which owns control of a Kansas bank. The state of Illinois is not included in the limited region set forth in the interstate law and a holding company from that state would be prohibited from acquiring a Kansas bank. The department feels the current language of K.S.A. 9-532 does not clearly project that intended prohibition on leapfrogging. It is our opinion that Senate Bill 30 does just that. Additionally, Senate Bill 30 requires the divestiture of either direct or indirect control of a Kansas bank, within two years, if the above scenario would occur.

F.I.I.
Attachment 1
3-9-93

700 JACKSON, SUITE 300, TOPEKA, KANSAS 66603-3714 (913) 296-2266 FAX (913) 296-0168

Community Bankers Association of Kansas

Suite 100, 5605 S.W. Barrington Court, Topeka, Kansas 66614, Phone (913) 271-1404

Testimony before the House Committee on Financial Institutions and Insurance regarding Senate Bill 30 March 9, 1993

The Community Bankers Association of Kansas recommends the passage of Senate Bill 30. In 1991, when the initial law permitting interstate banking was passed, there was a concern raised by legislators as to whether bank holding companies in states other than the states named in the law, could purchase Kansas banks through a practice known as a leap-frog effect.

You have already been advised as to how the leap-frog effect occurs 1) an out-of-state bank holding company (BHC), within a defined regional area makes an approved purchase of a bank in another state 2) then the BHC making the original purchase is purchased by a BHC in another state - outside the defined regional interstate banking law. The language drafted in 1991 interstate banking law enacted in Kansas does not specifically address this issue.

Senate Bill 30 recognizes the possibility of such an occurrence in Kansas. We appreciate the efforts of the State Banking Department to more clearly define the parameters of the law establishing interstate banking in Kansas.

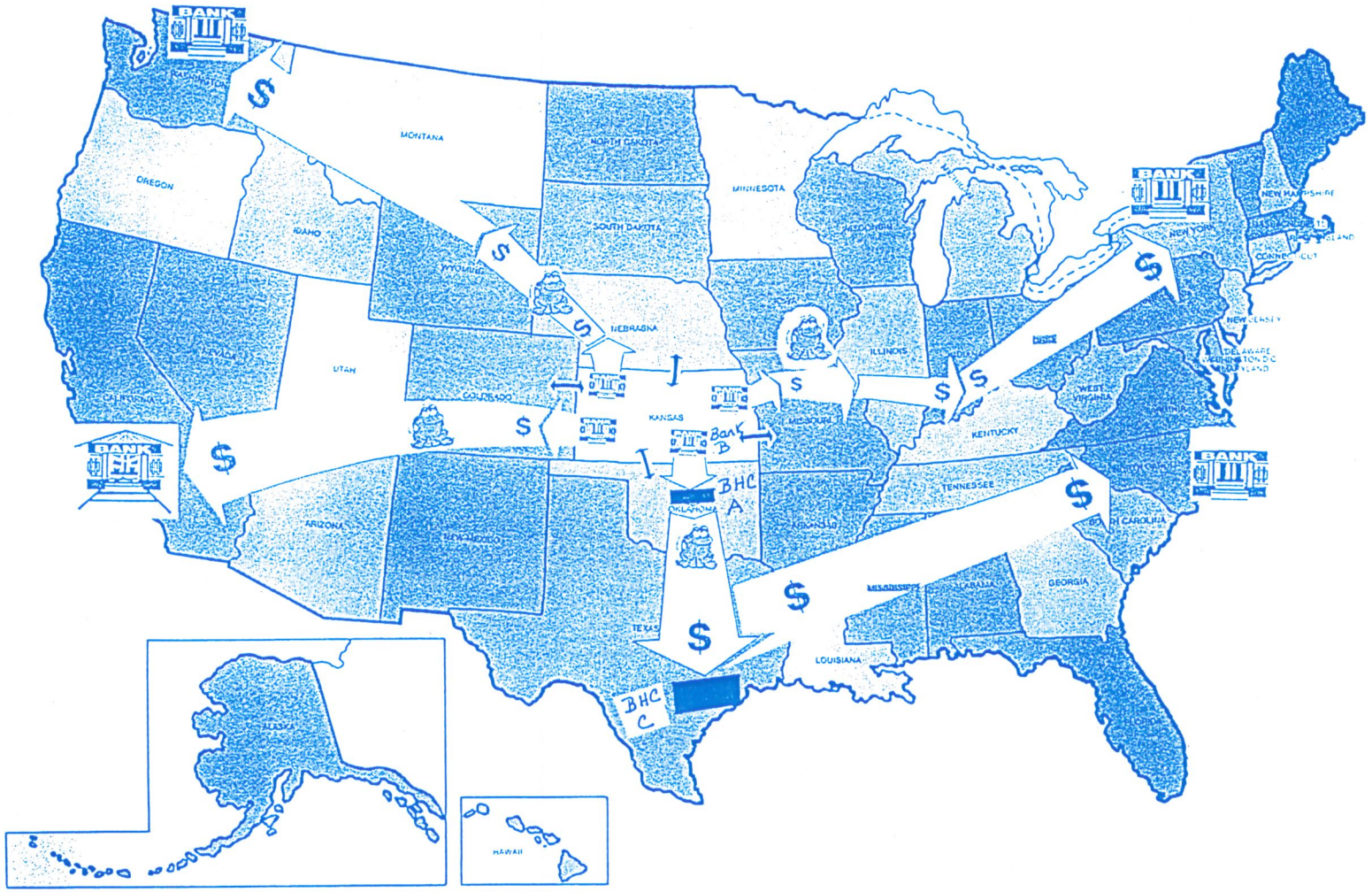
House F I & I
Attachment 2
3-9-93

The Community Bankers Association recommends that a reporting provision be added to the bill to enable the Banking Department to efficiently assess ownership and headquarters location changes in out-of-state bank holding companies which own Kansas banks. Therefore, in addition to the provision proposed in Section 1 (d), we recommend a standard report be submitted no less than annually to the State Banking Department. The report should include a listing of all bank subsidiaries owned by out-of-state BHC's which own Kansas banks regardless of which states the other bank subsidiaries are located.

We respectfully request Senate Bill 30 be passed favorably and include the addition of a reporting requirement in Section 1(d). Thank you.

(s/leapfrog)

2-22



K.S.A. 532 says only bank holding companies (BHC's) whose "principal place of business" is in an adjacent state (Colorado, Missouri, Nebraska, Oklahoma) or the neighboring states of Iowa or Arkansas may purchase a Kansas bank. However, the current law does not address a situation known as a "leap frog" effect.

Consider this scenario: BHC A, whose principal place of business is in Oklahoma, buys Bank B whose principal place of business is in Kansas. Following that transaction, Bank C, whose principal place of business is in Texas (or any other state nationwide) buys bank A, still located in Oklahoma. That allows a BHC in a state not recognized by the regional interstate banking parameters to own a Kansas bank. Nothing in the current language of K.S.A. 532 prevents that.

Senate Bill 30 addresses this issue and corrects any opportunity for a leap frog effect to occur.

3-22

LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry

500 Bank IV Tower One Townsite Plaza Topeka, KS 66603-3460 (913) 357-6321

A consolidation of the Kansas State Chamber of Commerce, Associated Industries of Kansas, Kansas Retail Council

SB 33

March 8, 1993

KANSAS CHAMBER OF COMMERCE AND INDUSTRY
Testimony Before the
House Committee on Financial Institutions and Insurance
by

Bud Grant
Executive Director
Kansas Retail Council

Mr. Chairman and members of the Committee:

My name is Bud Grant and I am here on behalf of the Kansas Retail Council, a major division of the Kansas Chamber of Commerce and Industry (KCCI). I appear in support of SB 33.

The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.

KCCI is comprised of more than 3,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 55% of KCCI's members having less than 25 employees, and 86% having less than 100 employees. KCCI receives no government funding.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

Section 16a-3-204(2) of the Uniform Consumer Credit Code (UCCC) requires that if the lender desires to change the terms of an open-end credit account, "the lender shall give

FIDO
Attachment 3
3-9-93

to the consumer written notice of any change at least three times, with the first not at least six months before the effective date of the change."

In SB 33 we are requesting your support for changing the notification requirements to a single notice, at least 30 days in advance, the same as is now required in this statute when changing the finance charge rate.

The current notification requirements serve no real purpose and are costing Kansas retailers literally thousands of dollars each year. Let me review with you a few of the facts: (1) Term changes are purchase triggered by the customer and prospective, making multiple notices unnecessary. (2) Multiple notices are extremely costly. One Kansas retailer puts the cost at $192,598 to comply with Kansas' multiple notification requirements. That's 300% more than a single notice. Costs include printing, paper and postage, and do not include lost revenue resulting from cancellation/delay of promotional inserts. (3) Inactive customers must be notified of a change in terms by direct mail, the postage for which is significantly more expensive. Inactive mailers cost about 20 times that of active mailers. (4) Promotional materials normally included with monthly statements must be removed if a terms change notice is included to avoid exceeding the one ounce postage limit. (5) Lost revenue results from the removal of promotional material, the dollar amount of the loss varying dependent upon the material pulled and the month. Since inserts are included each month, it is impossible to avoid eliminating a promotion.

Finally Mr. Chairman, twenty-six states have no notification requirements, and thirty-eight states have a requirement of 30 days or less. Only four states equal or exceed our requirements. We are not asking to become the twenty-seventh state with no requirements, but are asking to join with the thirty-eight limiting the term change notice to one at least 30 days in advance. This requirement would then correspond with notification requirements when changing the finance charge and would result in substantial savings to the retailer and ultimately the consumer.

Thank you Mr. Chairman for the opportunity to appear in support of SB 33. I would be pleased to attempt to answer any questions.

COMPARISON OF CHANGE NOTICE REQUIREMENTS

None	15 days	25 days	30 days	60 days	90 days	180 days	1 year	Others
Alabama	Utah	South Dakota	California	Iowa	Colorado	Indiana	Wisconsin	Pennsylvania
Alaska	West Virginia		D.C.	Montana	Massachusetts	Kansas		Texas
Arizona			Illinois		New Jersey	Oklahoma		
Arkansas			Maine			Wyoming		
Connecticut			New York					
Delaware			Ohio					
Florida			Puerto Rico					
Georgia			South Carolina					
Hawaii			Virginia					
Idaho								
Kentucky								
Louisiana								
Michigan								
Minnesota								
Mississippi								
Missouri								
Nebraska								
Nevada								
New Hampshire								
New Mexico								
North Carolina								
North Dakota								
Oregon								
Rhode Island								
Tennessee								
Vermont								

KANSAS

Office of CONSUMER CREDIT COMMISSIONER

Joan Finney
Governor

Wm. F. Caton
Commissioner

M E M O R A N D U M

DATE: March 3, 1993

TO: Representative Bill Bryant

FROM: Wm. F. Caton, Consumer Credit Commissioner

SUBJECT: Senate Bill 33

Senator Robert Vancrum asked me to voice a concern that he has relating to prior notice to consumers from a credit card issuers changing a specific condition in their terms. He is concerned that if a credit card company changes its policy from charging interest after a specific due date, to charging interest from the date of purchase, a 30 day notice might not be a sufficient amount of time for a consumer to react especially if the policy would have an adverse effect on the consumer.

As long as we have numerous credit card issuers in the market, I do not believe this will happen very often due to keen competition. Those credit card issuers that charge interest from the date of purchase usually attract lower income consumers because they have less stringent credit criteria. In practicality, if a consumer does not pay his balance in full they are in effect paying interest from the date of purchase. This policy change would only adversely effect consumers that typically pay their bill in full and whose credit card does not charge interest unless there is an unpaid balance.

I feel that Senator Vancrum has a valid concern even though it might not effect a large number of consumers. I would support an amendment that would require two notices within 60 days of the date of policy change only for this circumstance.

If you have any questions, please do not hesitate to call me.

WFC:lb

I & I
Attachment 4
3-9-93

JAYHAWK TOWER, 700 S.W. JACKSON, SUITE 1001 / TOPEKA, KANSAS 66603 / (913) 296-3151

The KANSAS BANKERS ASSOCIATION
A Full Service Banking Association

March 9, 1993

TO: House Committee on Financial Institutions and Insurance

RE: SB 35 - Allowing bank trust departments to contract with other financial institutions

Mr. Chairman and Members of the Committee:

The Trust Division and the State Affairs Committee of the Kansas Bankers Association are requesting the consideration and passage of SB 35. As introduced, this bill would give trust departments of state-chartered banks the authority to enter into agreements with other financial institutions (banks, S&Ls, savings banks) to offer trust services. We are requesting an amendment which would clarify that trust departments of national banks are also eligible to offer such services. Under the provisions of K.S.A. 9-2107 (b) any such agreement would be subject to approval by the State Bank Commissioner, but any such agreements would become effective if the Commissioner has not made a formal ruling by the end of the 60-day period.

This type of authority was granted to state-chartered trust companies when the section of the state banking code relating to trust operations was rewritten in 1989. We believe there is no reason to discriminate against trust departments entering into such agreements. We are, therefore, requesting that the Legislature amend the definition of "contracting trustee" in subsection (1) of K.S.A. 9-2107 to include trust departments of both state and national banks.

We would also call to the committee's attention the need to amend subsection (e) of K.S.A. 9-2107 to require that approval by the state bank commissioner of any agreement entered into under the provisions of that subsection before the agreement can become effective. This would be consistent with the requirements set forth for other types of agreements in subsection (b) of that same statute.

Thank you for this opportunity to appear in support of SB 35 and we strongly urge the committee to give favorable consideration to this measure.

James S. Maag
Senior Vice President

FIS D
Attachment 5

Office of Executive Vice President • 1500 Merchants National Building
Eighth and Jackson • Topeka, Kansas 66612 • (913) 232-3444
FAX (913) 232-3484

Session of 1993

SENATE BILL No. 35

By Committee on Financial Institutions and Insurance

1-15

AN ACT concerning banks and banking; defining contracting trustee; amending K.S.A. 9-2107 and repealing the existing section.

Be it enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. 9-2107 is hereby amended to read as follows: 9-2107. (a) For purposes of this section, the following terms shall have the following meanings:

(1) "Contracting trustee" means any trust company, as defined in K.S.A. 9-701, and amendments thereto, *or any bank that has been granted trust authority by the state bank commissioner under K.S.A. 9-1602, and amendments thereto,* which accepts or succeeds to any fiduciary responsibility in any manner hereinafter provided;

or any national bank that has been granted trust authority by the Comptroller of the Currency under 12 USC 92a, and amendments thereto,

(2) "originating trustee" means any trust company, bank, national banking association, savings and loan association or savings bank which has trust powers and its principal place of business in this state and which places or transfers any fiduciary responsibility to a contracting trustee in the manner hereinafter provided;

(3) "financial institution" means any bank, national banking association, savings and loan association or savings bank which has its principal place of business in this state but which does not have trust powers.

(b) Any contracting trustee and any originating trustee may enter into an agreement whereby the contracting trustee, without any further authorization of any kind, succeed to and be substituted for the originating trustee as to all fiduciary powers, rights, duties, privileges and liabilities with respect to all accounts for which the originating trustee serves in any fiduciary capacity, except as may be provided otherwise in the agreement. No such agreement shall become effective unless notice thereof has been filed with the commissioner pursuant to subsection (f), and the commissioner has not disapproved the notice within 60 days thereafter.

(c) Unless the agreement expressly provides otherwise, upon the effective date of the substitution:

(1) The contracting trustee shall be deemed to be named as the fiduciary in all writings, including, without limitation, trust agreements, wills and court orders, which pertain to the affected fiduciary

accounts;

(2) the originating trustee shall be absolved from all fiduciary duties and obligations arising under such writings and shall discontinue the exercise of any fiduciary duties with respect to such writings, except that the originating trustee shall not be absolved or discharged from any duty to account arising in K.S.A. 59-1709, and amendments thereto, or any other applicable statute, rule of law, rule and regulation or court order, nor shall the originating trustee be absolved from any breach of fiduciary duty or obligation occurring prior to the effective date of the agreement.

(d) The agreement also may authorize the contracting trustee:

(1) To establish and maintain a trust service desk at any office of the originating trustee at which the contracting trustee may conduct any trust ~~company~~ business and any business incidental thereto and which the contracting trustee may otherwise conduct at its principal place of business; and

(2) to engage the originating trustee as the agent of the contracting trustee, on a disclosed basis to customers, for the purposes of providing administrative, advertising and safekeeping services incident to the fiduciary services provided by the contracting trustee.

(e) Any contracting trustee also may enter into an agreement with a financial institution providing that the contracting trustee may maintain a trust service desk as authorized by subsection (d) in the offices of such financial institution and which provides such financial institution, on a disclosed basis to customers, may act as the agent of contracting trustee for purposes of providing administrative services and advertising incident to the fiduciary services to be performed by the contracting trustee. No such agreement shall become effective unless notice thereof has been filed with the commissioner pursuant to subsection (f), and the commissioner has not disapproved the notice within 60 days thereafter.

(f) Notice to the commissioner of any agreement authorized by this section shall be accompanied by certified copies of the following documents:

(1) The agreement;

(2) the written action taken by the board of directors of the originating trustee or financial institution approving the agreement;

(3) any other required regulatory approvals; and

(4) an affidavit of publication of a notice of filing of application in a form prescribed by the commissioner on the same day for two consecutive weeks in the official newspaper of the city or county where the principal office of the originating trustee or financial institution is located.

(g) The commissioner may issue a notice disapproving any such application if the commissioner determines the agreement fails to meet a public need and does not serve the public interest. Not-

Article 17.—BANKING CODE; SUPERVISION; COMMISSIONER

9-1703. Annual assessment, banks and trust companies; examinations; disposition of moneys received; bank commissioner fee fund. (a) The expense of every regular examination, together with the expense of administering the banking laws, including salaries, travel expenses, supplies and equipment, shall be paid by the banks of the state, and for this purpose the bank commissioner shall, prior to the beginning of each fiscal year, make an estimate of the expenses to be incurred by the department during such fiscal year. From this total amount the commissioner shall deduct the estimated amount of the anticipated annual income to the fund from all sources other than bank assessments. The commissioner shall allocate and assess the remainder to the banks in the state on the basis of their total assets, as reflected in the last preceding report called for by the commissioner under the provisions of K.S.A. 9-1704, and amendments thereto, except that the annual assessment will not be less than $1,000 for any bank.

(b) The expense of every regular trust examination, together with the expense of administering trust laws, including salaries, travel expenses, supplies and equipment, shall be paid by the trust companies and trust departments of banks of this state, and for this purpose, the bank commissioner, prior to the beginning of each fiscal year, shall make an estimate of the trust expenses to be incurred by the department during such fiscal year. The commissioner shall allocate and assess the trust departments and trust companies in the state on the basis of their total fiduciary assets, as reflected in the last preceding year-end report filed with the commissioner, except that the annual assessment will not be less than $1,000 for any trust department or trust company,

active

...provided, however, that a trust department or a trust company which has no fiduciary assets, as reflected in the last preceding year-end report filed with the commissioner, may be granted inactive status by the commissioner and the annual assessment will not be more than $100.00 for an inactive trust department or trust company.

(c) A statement of each assessment made under the provisions of subsection (a) or (b) shall be sent by the commissioner to each bank, trust department and trust company on or before July 1. One-half the amount so assessed to each bank, trust department or trust company shall be paid by it to the bank commissioner on or before July 15 and the remainder shall be paid on or before January 15 of the next year. Any expenses incurred or services performed on account of any bank, trust department or trust company or other corporation which are outside of the normal expense of an examination required under the provisions of K.S.A. 9-1701, and amendments thereto, shall be charged to and paid by the corporation for whom they were incurred or performed. The commissioner may impose a penalty upon any bank, trust department or trust company which fails to pay its annual assessment. The penalty shall be assessed in the amount of $50 for each day the assessment is not paid. The counting period for such penalty will begin February 1 or August 1.

The bank commissioner shall remit all moneys received by or for such commissioner from such examination fees to the state treasurer at least monthly. Upon receipt of each remittance, the state treasurer shall deposit the entire amount in the treasury. Twenty percent of each deposit shall be credited to the state general fund and the balance shall be credited to the bank commissioner fee fund. All expenditures from the bank commissioner fee fund shall be made in accordance with appropriation acts upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the bank commissioner or by a person or persons designated by the commissioner.

History: L. 1947, ch. 102, § 89; L. 1949, ch. 110, § 3; L. 1955, ch. 65, § 1; L. 1959, ch. 61, § 1; L. 1965, ch. 79, § 1; L. 1969, ch. 62, § 1; L. 1973, ch. 50, § 2; L. 1975, ch. 44, § 31; L. 1981, ch. 55, § 1; L. 1985, ch. 57, § 2; L. 1992, ch. 49, § 1; July 1.