Approved: January 26, 1993
Date

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE.

The meeting was called to order by Chairperson Richard Bond at 9:08 a.m. on January 21, 1993 in Room 529-S of the Capitol.

Members present: Senators Corbin, Hensley, Lawrence, Lee, Moran,Petty, Praeger, and Steffes.

Committee staff present: William Wolff, Legislative Research Department
Fred Carman, Revisor of Statutes
June Kossover, Committee Secretary

Conferees appearing before the committee: Judi Stork, Office of the Bank Commissioner
Bud Grant, KCCI
William Caton, Consumer Credit Commissioner

Others attending: See attached list

Minutes of the meeting of January 19, 1993 were submitted for approval. Senator Lawrence made a motion, seconded by Senator Steffes to approve the minutes. The motion carried.

The Chairman opened the hearing on **SB 32**. Judy Stork, Office of the Bank Commissioner, appeared before the committee to testify in favor of this bill which is a technical revision to amend K.S.A. 9-9909. (Attachment #1.) The statute addresses the rights and immunities of preferred stockholders and this bill would delete certain obsolete and convoluted language. Senator Steffes made a motion, seconded by Senator Praeger, to move this bill favorably and to place it on the Consent Calendar. The motion carried.

The hearing on **SB 33** was opened. Bud Grant, KCCI, appeared before the committee to testify as a proponent of the measure. (Attachment #2.) The bill would lower from six (6) months and three (3) notices to thirty (30) days and one notice the requirement for advance notice to consumers of changes in terms that adversely affect the customer on open-end credit accounts. Following discussion and clarification of the origin of the statute, the committee heard from William Caton, Consumer Credit Commissioner. Mr. Caton advised that, although the amendment is timely and rational, the amendment to subsection (d) appears to be in conflict with the Federal Truth in Lending law. A state law may be more restrictive, but cannot be less restrictive, than the federal law. After discussion and clarification, an amendment was proposed to eliminate subsections (a) and (d) to bring the bill into compliance with federal law. Senator Corbin made a motion to amend the bill by deleting subsections (a) and (d). The motion was seconded by Senator Petty. The motion carried. A motion was made by Senator Praeger and seconded by Senator Lawrence to move the bill favorably as amended. The motion carried.

The Financial Institutions and Insurance Committee will meet on Friday, January 22, 1993 for the purpose of confirmation hearings on two gubernatorial appointees.

The committee adjourned at 9:45 a.m.

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

GUEST LIST

SENATE

COMMITTEE: FINANCIAL INSTITUTIONS AND INSURANCE DATE: 1-21-93

NAME	ADDRESS	ORGANIZATION
Bud Grant	Topeka	KCCI
Linda McGill	"	CBA
Linda Sebastian	Topeka	KSNA
Julie Kobosky	Lawrence	Intern for Sen Petty
Alan Holmes	Topeka	DOB
Wm Grant	Topeka	Office ST BK Comm'r
Kevin Glendening	"	"
Judi Stork	"	"
Bill Caton	"	Consumer Credit

TESTIMONY BEFORE

THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE

Thursday, January 21, 1993

Good Morning. Mr. Chairman, members of the committee -- I am appearing before you today to testify in support of one proposed amendment to a statute which affects Kansas banks and the operation of our department.

SENATE BILL 32, if approved, would amend K.S.A. 9-909, which pertains to preferred stock of a state bank or trust company. This statute addresses the rights and immunities of preferred stockholders. This amendment is simply a technical revision to eliminate duplication. It deletes certain obsolete and convoluted language which is more currently defined in other existing statutes under the General Corporation Code (K.S.A. 17-6401). This bill originated last year, was passed in the house, and received no action by this committee due to an amendment requested by Bank IV.

FI&I 1/21/93
Attachment #1

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

January 21, 1993

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the

Senate 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

FI&I 1/21/93
Attachment #2

to the consumer written notice of any change at least three times, with the first notice 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								