

MINUTES OF THE SENATE FINANCIAL INSTITUTIONS & INSURANCE COMMITTEE

The meeting was called to order by Chairman Ruth Teichman at 9:30 am. on January 18, 2011, in Room 152-S of the Capitol.

All members were present.

Committee staff present:

Ken Wilke, Office of the Revisor of Statutes
Melissa Calderwood, Kansas Legislative Research Department
Heather O'Hara, Kansas Legislative Research Department
Beverly Beam, Committee Assistant

Conferees appearing before the Committee:

Ed Splichal, Acting State Bank Commissioner
Kevin Glendening, Deputy Bank Commissioner
Chuck Stones, President and CEO Kansas Bankers Association

Others attending:

See attached list.

Chairman Teichman welcomed everyone to the meeting.

Ed Splichal, Acting State Bank Commissioner, gave an overview of the Office of the State Bank Commissioner along with an explanation about the agency and current statistical information about the condition of the entities the commission regulates. Mr. Splichal stated that frequently, national and state-chartered banks will participate in the same loans which are secured by real estate. He said if the borrower defaults on the loan, then the collateral may be foreclosed upon with title to the real estate held in the names of all the participating banks. Continuing, he stated that subject to certain conditions, national banks are allowed to exchange their participation interest in the real estate for an interest in a limited liability company which then holds, manages, markets, and disposes of the real property. He said titling the real estate in the sole name of a limited liability company, as opposed to several banks, may allow for an easier disposition of the collateral and improve the banks' ability to limit their loss.

Mr. Splichal said that since the Kansas Banking Code does not specifically grant such authority to state-chartered banks, it was determined the Special Order should be issued. Special Order 2010-1 grants state-chartered banks with similar authority to exchange their participation interests in real estate owned and acquired through debts previously contracted for an interest in a corporate entity which will manage, market and dispose of the real property. The Special Order is required to preserve the welfare of state-chartered banks and to ensure they are able to compete equally with national banks. (Attachment 1)

Following Q & A, the Chair asked Kevin Glendening for his testimony. It is attached as Page 1-4 of Acting Commissioner Splichal's testimony under CML Division.

Judy Stork, Deputy Commissioner, Banking Division, introduced a bill to amend the statutes within the banking code and allow the commissioner to require fingerprinting of any proposed officer, director, shareholder, or any other person deemed necessary. She said such fingerprints may be submitted to the Kansas Bureau of Investigation, Federal Bureau of Investigation, or other law enforcement agency for the purposes of verifying the identity of such persons and obtaining the records of their criminal arrests and convictions. Senator Taddiken moved to introduce the bill. Senator Masterson seconded. Motion passed.

Chuck Stones, President and CEO, Kansas Bankers Association, gave an overview of the Dodd-Frank Bill and summarized the main issues affecting banks of all sizes, but especially traditional community banks. Mr. Stones also gave a summary of the issues affecting state governments the most and issues that have the potential to be helpful to the banking community. (Attachment 2)

The next meeting is scheduled for January 19, 2011.

The meeting was adjourned at 10:31 am.