

MINUTES OF THE HOUSE FINANCIAL INSTITUTIONS COMMITTEE

The meeting was called to order by Chairman Ray Cox on February 9, 2004 at 3:30 p.m. in Room 527-S of the Capitol.

All members were present except:

Representative Tom Burroughs- excused

Committee staff present:

Bruce Kinzie, Revisor's Office

Bill Wolff Legislative Research Department

Maggie Breen, Secretary

Conferees appearing before the committee: Kevin Glendening - Office of the State Bank Commissioner  
Whitney Damron - Kansas Payday Loan Association  
Bud Burke - Kansas Payday Loan Association  
Darren Anderson, QC Financial  
Rickie Coleman - Wichita Concerned Citizen

Others attending:

See Attached List.

Chairman Cox asked **Chuck Stones** to give a brief summary of **HB 2580 - Banks and banking, general powers** before the committee took action on it. Chuck said the bill changes the percentage limit, which banks can own Industrial Revenue Bonds, to reflect the same limit that they can make loans to the same companies. He did have an amendment request to change the effective date from publication in the statute book to publication in the register.

Representative Wilke moved to amend section 3 of the bill by striking the words "statute book" and inserting the word "register." Representative Campbell seconded the motion. The motion carried.

Representative Grant moved that the committee pass out **HB 2580** as amended favorable for passage. Representative Burgess seconded the motion. The motion carried.

Chairman Cox opened the hearing on **HB 2685 - Payday loans, concerning the regulation thereof**

Proponents:

**Kevin Glendening** - Office of the State Bank Commissioner, said that by and large the payday lenders operating in Kansas are very compliant with our laws. A number of the amendments pertaining to this bill are addressing that certain element that tries to operate outside the bounds. It adds a minimum loan term of seven days, makes a maximum of three loan to each consumer in any thirty day period, and requires that each check taken as part of a payday loan be endorsed with language stating criminal prosecution is not permitted. It also requires a 24 hour rescission period, in essence a no cost option to change their mind. The bill also reduces the maximum amount of a payday loan to \$500. And finally, the bill contains some prohibited activities and business restrictions which would prevent circumvention of state law. Kevin requested a slight amendment on page 3, line 4, striking the words "made under" and inserting the words "subject to." He asked favorable consideration of the bill. (**Attachment 1**)

**Whitney Damron** - Kansas Payday Loan Association, said the association represents about 25% of the industry. He said the association offered their general support to most of the provisions of the bill. They are still somewhat concerned with Section 12, as it relates to agency relationships, and intend to continue to work with the Bank Commissioner's office to discuss potential future amendments that might clarify the intent and application of the section. (**Attachment 2**)

**Bud Burke** - Kansas Payday Loan Association, distributed information to the committee from The Community Financial Services Association of America (CFSA) the only national organization that represents payday loan providers in all states. He referred them specifically to the research on payday advance. (**Attachment 3**)

CONTINUATION SHEET

MINUTES OF THE HOUSE FINANCIAL INSTITUTIONS COMMITTEE on February 9, 2004 at 3:30 p.m. in Room 527-S of the Capitol.

**Darren Anderson**, QC Financial, Kansas City, Kansas, and also on the board of CFSA. There are presently about 15,000 payday loan locations in the nation and they did about \$25 billion in loans last year. There are 35 states, Kansas being one, plus the District of Columbia that have payday regulation. The national organization supports fair and balanced regulation which includes: the right of rescision, no criminal prosecution, fair disclosure, licencing, and all the things that are in the bill. They support and appreciate the fact that Kansas is a regulated entity and tries to rein in the disguised payday loan operators. **(No written testimony)**

**Rickie Coleman** - Wichita Concerned Citizen, and also a member and president of Sunflower Action, a grassroots non-profit organization, which works on issues that affect citizens in the community. She requested the committee support the bill as it protects Kansas consumers from predatory lenders. **(Attachment 4)**

Melinda Lewis - El Centro, Inc. - Written only **(Attachment 5)**

Chairman Cox closed the hearing on **HB 2685**.

Chairman Cox said he appreciated the industry and Kevin getting together and coming up with a solid front. He said the bill would be worked on Wednesday.

Representative Grant moved that the committee minutes for January 28 and February 4 be approved as written. Representative Dillmore seconded the motion. The motion carried.

The meeting adjourned at 4:05 p.m.

The next meeting is scheduled for Wednesday, February 11.