

MINUTES OF THE HOUSE FINANCIAL INSTITUTIONS COMMITTEE

The meeting was called to order by Chairman Ray Cox at 3:30 P.M. on March 16, 2005 in Room 527-S of the Capitol.

All members were present.

Committee staff present:

Melissa Calderwood, Kansas Legislative Research Department
Bruce Kinzie, Revisor of Statutes Office
Patti Magathan, Committee Secretary

Conferees appearing before the committee:

Bud Burke, Community Financial Services Association of America
Whitney Damron, Kansas Payday Loan Association

Others attending:

See attached list.

Chairman Cox opened the floor to Hear SB 223 - Payday loans; changes affecting fees and military personnel.

Bud Burke, representing Community Financial Services Association of America, informed the committee that SB 223 changes the declining rate structure of the current law and sets a fixed 15 percent rate for all amounts lent up to the statutory limit of \$500. An amendment has been recommended which specifies that the annual mailings be printed in English and Spanish. (**Attachment 1**)

Whitney Damron, Kansas Payday Loan Association, stated that they are in support of SB 223. The current rate structure actually discourages a lender from lending more than \$100. Adopting a maximum flat rate for payday loans in Kansas will help those who most need it--the consumers of payday loans. (**Attachment 2**)

Representative Dillmore asked if Section II, which imposes new restrictions on collection for military borrowers, also applies to lenders other than payday loans. Mr. Kinzie replied that it will only apply to payday loans.

Chairman Cox closed the hearing on SB 223.

Representative Humerickhouse made a motion that, due to commonality of the three bills, SB 223, SB 196, and HB 2145 be combined as Substitute SB 223. Motion was seconded by Representative Grant. Substitute Bill 223 was distributed for committee perusal. (**Attachment 3**)

Representative Brown asked for clarification of the motion. Chairman Cox explained that the committee had already heard and approved HB 2145. This bill was below the line and disappeared at "turnaround." HB 2145 and SB 196 "dovetail" and use similar language but apply to different financial sectors. This motion places the contents of HB2145 into SB 223. It also places the contents of SB 196, which addresses the same rules and regulations for mortgage lenders that HB 2145 does for consumer loan lenders, into SB223. In addition, the amendment for SB 223 which adds a Spanish language interpretation to the annual mailing would be included.

Representative Goico stated that he liked all three bills but was reluctant to combine them due to experience with that process in another committee. Representative Burroughs said that he respected the leadership displayed by Chairman Cox in allowing the regulators and the industry to present satisfactory solutions to the legislative branch.

Representative Dillmore asked if the committee amendments for HB 2145 had been included in substitute SB 223. Mr. Kinzie replied that they were included with some modifications.

Representative Burgess asked if the changes in collection practices for military personnel would be an obstacle for military personnel trying to obtain a loan. **Steve Schaller**, an attorney with payday loans said that these changes would not discourage payday lenders from providing loans to military personnel. It enhances

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collection rights already enjoyed under federal law and applies only to payday loans.

Representative Brown asked if fingerprinting requirements on page 4 of the bill would be enforced if the employee was located in another state or jurisdiction. **Ron Gaches**, Gaches Braden Barbee & Associates, replied that the statement Representative Brown was referring to applies to the mortgage brokers sector while the licensed lender sector which would be more likely to have a multi-state operation is covered on page 27.

The motion passed to combine the three bills.

Mr. Kinzie made two changes to the written text of the bill, adding in the Spanish Language requirement for written notices in Section 16-A, 22404, and a technical wording change on page 15, section E regarding fraud against the elderly and disabled.

Representative Faust-Goudeau questioned the wording on page 27 regarding fingerprinting. **Ron Gaches** pointed out two changes to the text of this bill since the committee originally heard it. On page 27 of the bill the words, "if deemed necessary by the administrator," or added, and the phrase "directly engaged in lending activities" has been changed to "or any agent or other person acting on their behalf who is directly engaged in lending activities."

Representative Humerickhouse made a motion that the bill be amended to add changes discussed by Mr. Kinzie (above) which was seconded by Representative Dillmore. Motion passed.

Representative Humerickhouse made a motion that the committee pass **Substitute SB 223** favorably. Motion was seconded by Representative Olson. Motion passed.

Meeting was adjourned at 4:30 P.M. There will be no meeting on Monday.