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Bank Commissioner

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David L. Herndon, Bank Commissioner

Laura Kelly, Governor

September 12, 2024

Mr. Adam Proffitt
Secretary of Administration
Landon State Office Building, Room 504
Topeka, KS 66612-1590

Dear Mr. Proffitt,

I hereby submit, on behalf of the Office of the State Bank Commissioner, our budget request for FY2025, FY2026 and FY2027. The budget was prepared in conformance with your instructions.

OSBC Staff members and/or I look forward to the opportunity to meet with you and our budget analyst, Stephanie Buchanan, to discuss this budget submission. Thank you for your consideration.

Respectfully,

A handwritten signature in black ink, appearing to read "David L. Herndon".

David L. Herndon
Bank Commissioner

DLH
Enclosures

cc: Stephanie Buchanan, Division of Budget
Arianna Waddell, Legislative Research Department

AGENCY OVERVIEW

The mission of the Office of the State Bank Commissioner (OSBC or Agency) is to ensure the integrity of regulated financial services in Kansas through responsible and proactive oversight while protecting and educating consumers in the state. OSBC is a fully fee-funded agency that does not rely on any funding from the state's General Fund. This is an important fact that should be considered in OSBC's funding requests.

Primary OSBC values are to:

- Ensure fair and reliable supervision of state-chartered banks, savings and loan associations, trust companies/departments, technology enabled fiduciary financial institutions (TEFFIs), money transmitters and providers of mortgage and consumer credit;
- Educate regulated entities to promote better understanding of, and compliance with, governing laws and regulations;
- Protect Kansas consumers from unfair credit practices;
- Preserve the dual banking system through chartering activities of new state banks or conversion to state charter by existing national chartered banks, maintenance of existing state charters, and appropriate regulation of state banks; and
- Promote and maintain the public's trust in the state financial system.

There are five divisions within the agency. The OSBC's regulatory duties are performed by the Banking and Trust Division, the Consumer and Mortgage Lending (CML) Division and the Information Technology (IT) Division. The Banking Division is responsible for chartering and regulating state-chartered banks, trust companies and trust departments and TEFFIs. The Consumer and Mortgage Lending (CML) Division licenses and regulates non-depository mortgage lenders, mortgage loan originators, consumer credit providers, credit service organizations and money transmitters. The IT Division regulates cybersecurity and data risk vulnerabilities of all regulated entities. The other divisions are Administrative, Information Technology and Legal departments that support the work and internal functions of the entire agency.

STATUTORY AUTHORITY

The OSBC was established by the Legislature in 1891 to regulate and examine state-chartered banks, credit unions and securities. Subsequently, the Legislature moved regulatory authority of credit unions and securities to other agencies. The Office of Consumer Credit Commissioner merged into the OSBC in 1999.

K.S.A 75-1304 *et seq.* provides the statutory authority of the Commissioner and the OSBC. The State Banking Board is authorized by K.S.A. 74-3004 *et seq.* The Board's duties are outlined in the Kansas banking code, and the board acts in an advisory capacity to the Banking Division and in the administration of the banking laws of Kansas. The Banking Board does not have any involvement, oversight, or jurisdiction in any of the other OSBC divisions.

BUDGET ENHANCEMENTS

No budget enhancements are requested herein.

BUDGET OVERVIEW

Actual total expenses for the FY 2024 were \$12,691,431 comparing favorably to the total approved budget of \$13,263,615. This favorable result demonstrates the OSBC continues to be a good steward of its fee funds.

The largest single line-item expense incurred by the OSBC is Salaries, Wages and Benefits for authorized full-time and part-time positions which accounted for 80% of actual expenditures in FY2024. Two other significant expense components of the Agency's administrative operations are noted.

First, dues paid to the Conference of State Bank Supervisors (CSBS), the national trade association and accrediting body¹ for state bank regulators, (CSBS also owns and operates the Nationwide Multistate Licensing System & Registry known as NMLS that was established in January 2008 as part of the SAFE Act and thus impacting several non-depository companies regulated by OSBC).

And second, are leasing costs for the Topeka headquarters office and field offices in Lenexa, Wichita, Hays, and Salina. Square Footages reductions were realized in 2021 at the Lenexa field office, in 2022 at the Wichita field office and at the Topeka headquarters in 2024. Thus, all three OSBC field offices have been remodeled and upgraded as part of the space footprint reduction while realizing savings in lease expense.

The OSBC engages in an ongoing training program which requires examiner staff to be current in all areas of expertise. Normally many of these schools, conferences and programs are held out of state impacting travel and lodging expenses in addition to registration / tuition fees. As nearly all training events transitioned to virtual events during the pandemic, material savings were realized in the past two years. As the pandemic waned, resumption of in-person training and in-person examinations has occurred resulting in an increase in travel and lodging expenses in 2023. But by utilizing virtual training opportunities in FY 2024, actual travel and lodging expenses were lower than approved budget noticeably. Travel and lodging expenses are budgeted to continue increasing for FY 2026 and FY 2027.

OSBC replaced remote exam protocols with a hybrid model post pandemic. Depending on the institutions size, sophistication and location, examinations now include both onsite and remote components. This examination approach has been universally accepted by both examination staff and management for regulated entities.

¹ CSBS awards accreditation of state financial regulatory agencies for three categories: Banking, Mortgage, and Money Services. OSBC holds all three accreditations.

OSBC will continue its comprehensive program to provide the necessary training, continuing education and professional development for Agency staff. Financial Examiners are required to attend at least one continuing education, training, or professional development session annually. Supervisors and Executive staff attend professional industry training, conferences, and meetings as appropriate.

Nearly all the training and educational activities utilized by the Banking Division are conducted by the Conference of State Bank Supervisors (CSBS), Federal Deposit Insurance Corporation (FDIC), Federal Reserve Bank (FRB), Graduate Schools of Banking, and trade associations or academic institutions. Continuing education, training, and professional development for the CML Division are provided by the American Association of Residential Mortgage Regulators (AARMR), National Association of Consumer Credit Administrators (NACCA), and the Money Transmitter Regulators Association (MTRA).

This budget has been prepared in accordance with instructions published by the Division of the Budget. The table below displays service levels for FY2025, FY2026, and FY2027:

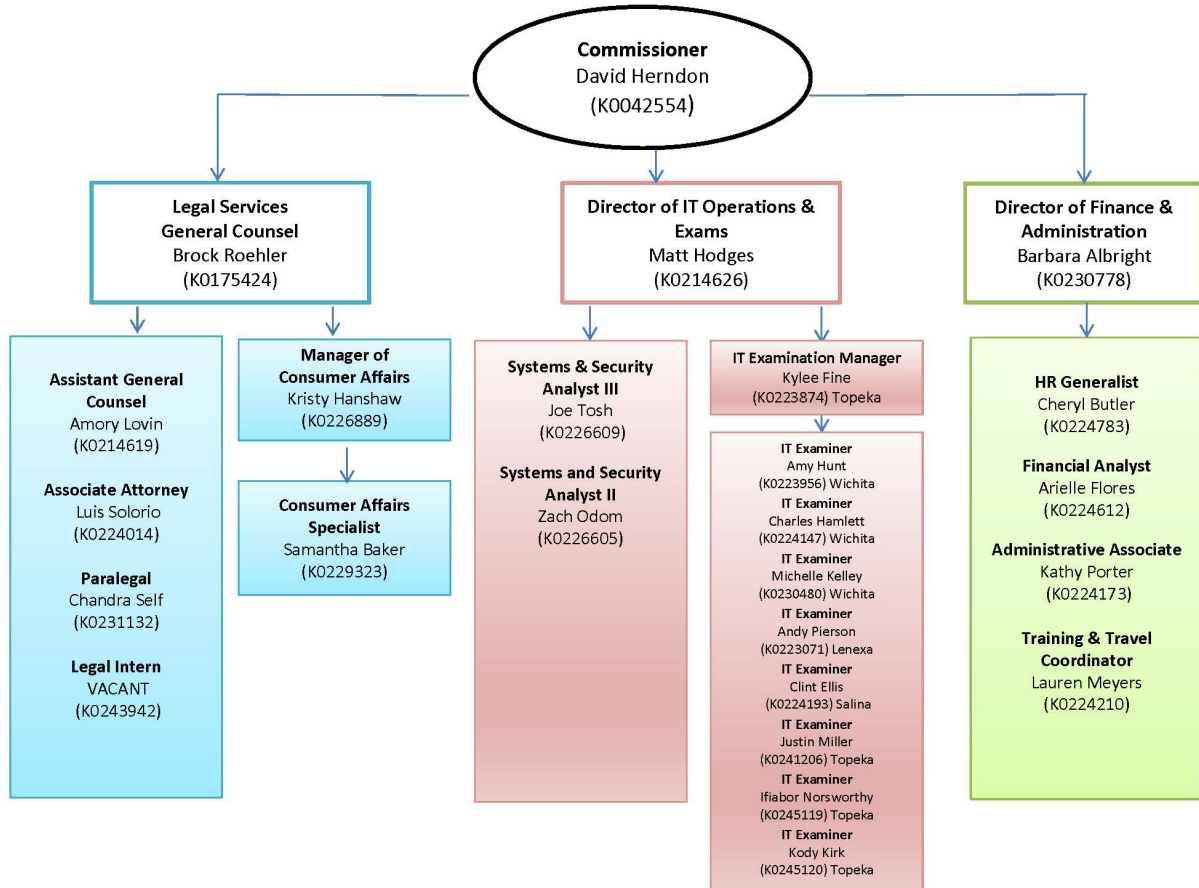
Fiscal Year	Approved Budget	Current Budget Request
FY2025	\$13,757,797	\$13,757,797
FY2026	N/A	\$13,867,399
FY2027	N/A	\$13,911,453

The OSBC requests 110.0 FTE and 4.0 non-FTE unclassified permanent positions for a total authorization of 114 positions for FY2025, FY2026 and FY2027.

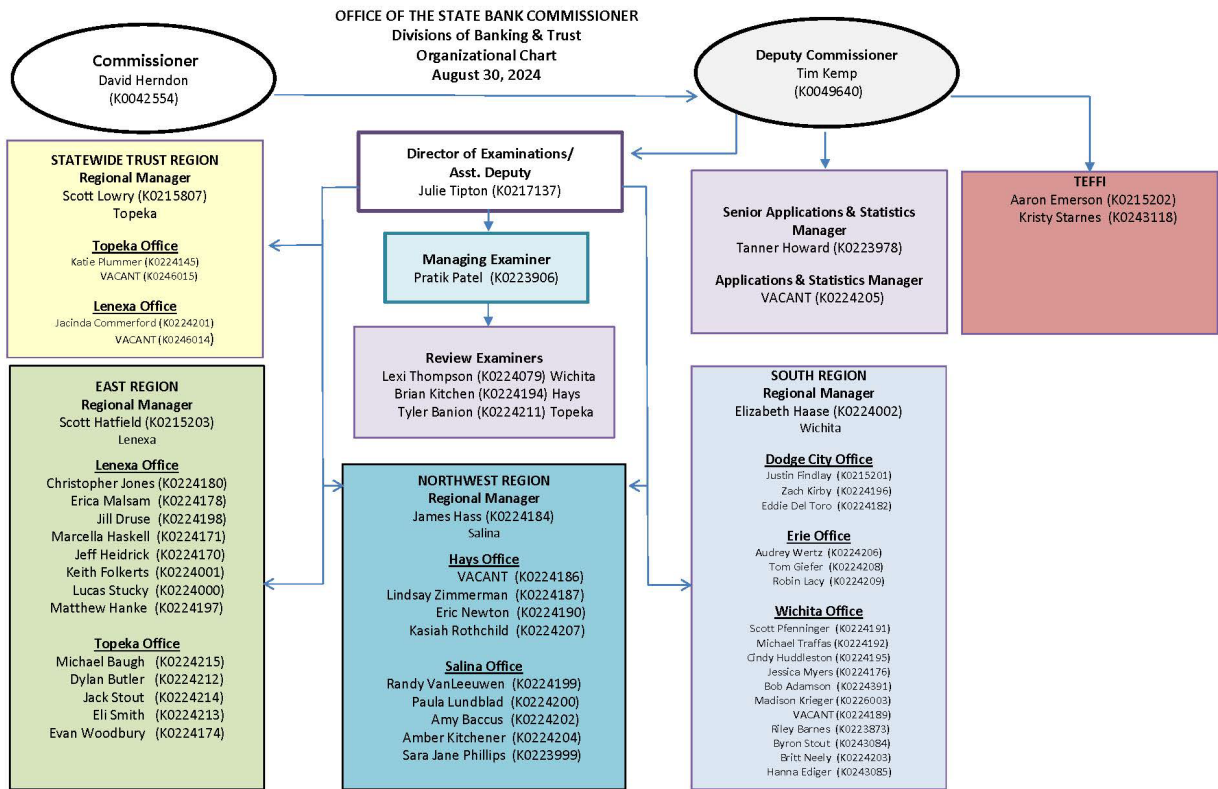
Program	FTE Positions	Non-FTE Unclassified Permanent
Administration	13.0	2.0
Bank and Trust Regulation	64.0	0.0
Consumer and Mortgage Lending Regulation	33.0	2.0

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**OFFICE OF THE STATE BANK COMMISSIONER
Administration Organizational Chart
August 30, 2024**

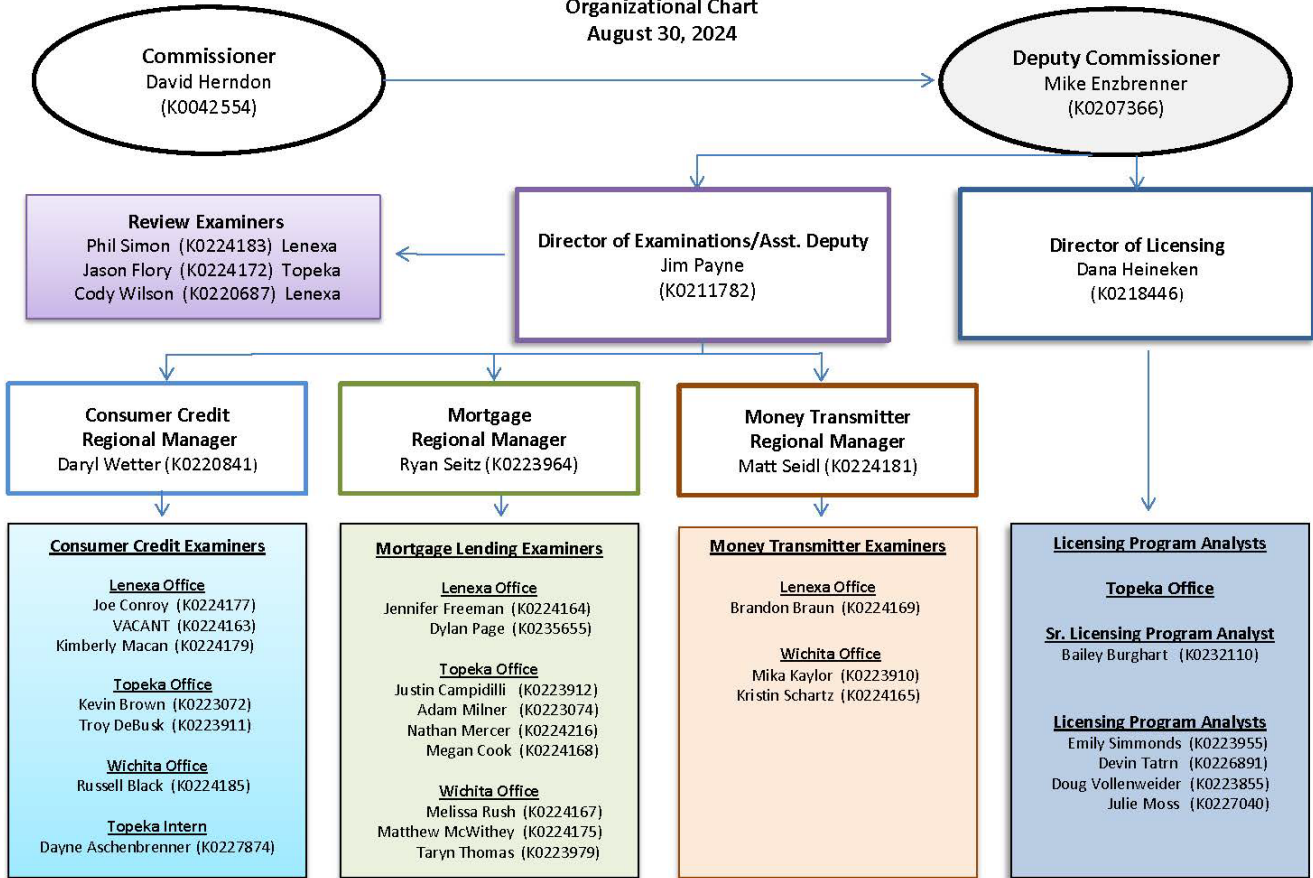


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**OFFICE OF THE STATE BANK COMMISSIONER
Division of Consumer and Mortgage Lending
Organizational Chart
August 30, 2024**



AGENCY REVENUE SOURCES

The OSBC receives no State General Fund monies. OSBC revenue is 100% generated by assessment and fee income through both the Banking and Trust Division and the CML Division.

The Banking and Trust Division’s revenue is derived from assessments and application fees paid by state-chartered banks, trust entities and TEFFI’s, pursuant to K.S.A. 9-1703. A nominal amount of income is generated from copies and issuance of letters of good standing.

Assessments for banks and trust entities are calculated prior to the beginning of each fiscal year. Bank assessments are based on assets as reported to the FDIC as of the quarter ending March 31. Trust and TEFFI entity assessments are based on the total of fiduciary assets as reported on the December 31 Call Report. However, pursuant to the TEFFI Act, the minimum assessment is \$1,000,000 annually.

Utilizing a tiered rate schedule, the assessments for all state-chartered banks have consistently remained less than the assessments charged to national banks by their regulator, the Office of the

Comptroller of the Currency (OCC). This is an important benefit for banks to remain or convert to a state charter.

Some of the assumptions used by the OSBC that affect annual assessment computations include:

- Authorized expenditure levels for the upcoming year;
- Funds carried over in the Bank Commissioner’s Fee Fund to the credit of the Bank Division;
- The dollar amount of assets under management by regulated entities; and
- Cash requirements to transfer to the State General Fund.

The following tables outline the current and historical assessments for banks and trust entities:

BANK ASSESSMENT RATES	FY 25 Rate Factor	FY 24 Rate Factor	FY 23 Rate Factor	FY 22 Rate Factor
Assets Less Than \$500 million	0.16	0.16	0.16	0.16
Assets Between \$500 million and \$1 billion	0.135	0.135	0.135	0.135
Assets Between \$1 billion and \$5 billion	0.11	0.11	0.11	0.90
Assets Greater than \$5 billion	0.90	0.90	0.90	0.90

TRUST ASSESSMENT RATES	FY 25 Rate	FY 24 Rate	FY 23 Rate	FY 22 Rate
Inactive	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00
Assets Less Than \$10 million	\$ 2,500.00	\$ 2,500.00	\$ 2,500.00	\$ 2,500.00
Assets Between \$10 million and \$100 million	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00
Assets Between \$100 million and \$1 billion	\$ 5,800.00	\$ 5,800.00	\$ 5,800.00	\$ 5,800.00
Assets Between \$1 billion and \$5 billion	\$ 14,500.00	\$ 14,500.00	\$ 14,500.00	\$ 14,500.00
Assets Between \$5 billion and \$25 billion	\$ 22,000.00	\$ 22,000.00	\$ 22,000.00	\$ 22,000.00
Assets Over \$25 billion*	\$ 22,000.00	\$ 22,000.00	\$ 22,000.00	\$ 22,000.00

* Rate is \$22,000 plus \$5,000 for every \$1 billion additional

**Rate is \$22,000 plus \$5,000 for every one billion asset dollars

Annual assessments are one million dollars per TEFFI chartered, pursuant to the TEFFI Act.

State statutes establish application fees for certain financial institution changes or activities that require approval of either the Bank Commissioner or State Banking Board. Actual fee amounts generated annually are a direct function of the number and type of applications received and processed. These funds are deposited in the Investigative Fee Fund. All expenses associated with approving or denying the application are paid directly from the fee received at the time the application is processed. Any remaining revenue can, at the discretion of the Commissioner, be transferred into the Bank Commissioner Fee Fund, for the express purpose of paying operating expenses. Predicting application revenue is difficult since the level of revenue received is dependent entirely on the submission of applications.

CML Division revenue is generated from fees paid by licensed consumer credit providers, mortgage licensees, money transmitters and credit services organizations. The following schedule outlines the current and historical fee structure for regulated entities:

Mortgage & Consumer Credit	FY25 Rate	FY24 Rate	FY23 Rate	FY22 Rate	FY21 Rate
Company new or renewal license application for principal place of business*	\$400 - \$600	\$400	\$400	\$400	\$400
Company new or renewal license for branch office	\$100	\$100	\$100	\$300	\$300
Loan originator new license	\$100	\$100	\$100	\$100	\$100
Loan originator renewal license	\$100	\$50	\$50	\$50	\$50
Annual licensing fee** (per \$100,000)	\$2.00 - \$6.00	\$2.00 - \$6.00	\$2.00 - \$6.00	\$3.00 - \$6.00	\$3.00 - \$6.00
Annual licensing fee** (per loan)	\$0.20 - \$2.50	\$0.20 - \$2.50	\$0.20 - \$2.50	\$0.20 - \$2.50	\$0.20 - \$2.50
Notification location fee	\$25	\$25	\$25	\$25	\$25
Notification volume fee (per \$100,000)	\$5 - \$15	\$5 - \$15	\$5 - \$15	\$5 - \$10	\$5 - \$10

Money Transmitters	FY25 Rate	FY24 Rate	FY23 Rate	FY22 Rate	FY21 Rate
Company new license application	\$1,750	\$1,750	\$1,750	\$1,750	\$1,750
Annual licensing fee	tiered % based on volume	tiered % based on volume	tiered % based on volume	tiered % based on volume	tiered % based on volume

Earned Wage Access	FY25 Rate	FY24 Rate	FY23 Rate	FY22 Rate	FY21 Rate
Company new or renewal license for principal place of business*	\$1,500				

*Credit Services Organization renewal license fee is \$150.

**Certain credit transactions are assessed on a per loan basis and others on dollar volume based on the type of transaction.

ADMINISTRATION PROGRAM

The Administration program provides support for the supervisory and regulatory functions of the OSBC, which encompasses many functions, including:

- Administration of OSBC policies;
- Fiscal systems and processes, including accounting, budget, and human resource functions;
- Legal services in execution of regulatory requirements;
- Support technology utilized by the Agency; and
- Cash requirements for transfers to State General Fund.

The Administration program is requesting authorization for 13.0 FTE positions and 2.0 non-FTE positions for FY2025, FY2026, and FY2027.

EXPENDITURE SUMMARY for FY2025, FY2026, and FY2027:

Account	FY25 Request	FY26 Request	FY27 Request
Salaries and Wages (51000)	\$1,683,942	\$1,697,747	\$1,683,615
Contractual Services (52000-	\$ 592,017	\$ 566,082	\$ 584,218
Commodities (53000-53900)	\$ 21,800	\$ 21,900	\$ 21,800
Capital Outlay (54000)	\$ 56,792	\$ 24,850	\$ 40,050
Total	\$2,354,551	\$2,310,579	\$2,329,683

ACTUAL EXPENDITURE DATA FOR FY2024:

51000 — *Salaries and Wages* -- \$1,552,677: Employee wages and employer benefit costs.

52000 — *Communication* -- \$47,258: Phone service and long distance for the main office, postage, and cell phones costs.

52100 -- *Freight and Furniture moves* -- \$2,744: Hired company to haul items to dump that were cleaned out of storage so we could return square footage in Topeka to Landlord.

52200 — *Print and Advertising* -- \$230: State printer costs for business cards, letterhead, etc.

52300 — *Rents* -- \$336,841: Main office building rent, copier equipment rental for the main office, and computer software rental.

52400— *Repair and Service* -- \$12,352: Software maintenance agreements. Also includes networking repair/troubleshooting costs.

52500 — *Travel* -- \$24,076: Travel costs incurred by Administration staff to travel to training and conferences.

52600 — *Other Service Fees* -- \$89,427: Accounting, payroll, and budget expenses paid to the Dept. of Administration, door/badge security access fees to the Highway Patrol, shredding services, and the Monumental Building surcharge.

52700 — *Professional Services Fees* -- \$41,687: KBI background checks for employees and expenses paid for an MOU with Personnel Services, architect fees for office remodel.

52900 — *Other Contractual Services* -- \$3,139: Dues paid to professional organizations.

53200 — *Other Supplies* -- \$350: Employee apparel to comply with Agency dress code.

53500 — *Vehicle Parts/Gasoline* -- \$2,418: Gasoline consumption for Agency/rental vehicles used by Administration staff.

53600 — *Professional Supplies* -- \$654 Copies of session laws and KSA supplement sets.

53700 — *Office Supplies* -- \$12,153: Office supplies (including toner), monitors, etc.

53900 — *Other Supplies* -- \$5,085: *Office signage and misc.* supplies for the main office including access security badges.

54000 — *Office Furniture and Equipment* -- \$62,166: Topek office remodel.

54100 — *Computer Equipment* -- \$69,851: Replacement of laptop for staff, server replacement and software.

BANK AND TRUST REGULATION PROGRAM

The Bank and Trust Division is responsible for oversight and supervision of all state-chartered banks, trust entities, and TEFFIs. Total assets supervised in banks and trust entities are approximately \$145,342,000,000. This program encompasses many duties including the following:

- Supervision of state-chartered banks and trust entities, and TEFFIs with transactional authority, including regulatory oversight and conducting examination functions;
- Establishment of enforcement actions to address problem financial institutions in an effort to restore such institutions to a safe and sound condition;
- Providing information regarding the OSBC to prospective state-chartered financial institutions;
- Administration and development of policies and programs related to bank, trust, and TEFFI supervision;
- Review and investigation of applications for new or changes in financial institutions corporate activities;
- Coordination with federal or other state banking agencies on supervisory matters;

- Research and response to questions from regulated institutions, attorneys, consultants, industry organizations and the public; and
- Development and maintenance of positive relationships with regulated entities and industry trade associations through outreach and educational opportunities.

PROGRAM GOALS

The OSBC is committed to regulating state-chartered banks and trust entities in an efficient, capable, fair, and professional manner. As required by state statute, K.S.A. 9-1701, all state-chartered banks must be examined once in an eighteen-month period. The OSBC may examine a bank more frequently in certain situations, including, but not limited to when (a) the bank's assets are greater than \$3,000,000,000, (b) the bank is considered a problem bank, (c) or management is less than satisfactory, in which case the examination must be once every twelve months. This requires approximately two-thirds of all Kansas state-chartered bank to be examined each fiscal year. However, examinations conducted by the FDIC, or the FRB may be accepted in lieu of a state examination.

Under the Uniform Financial Interagency Rating System, banks are rated on a scale of 1 – 5 based on six different components. Together the components are referred to as a CAMELS rating and are:

1. Capital adequacy
2. Asset quality
3. Management
4. Earnings
5. Liquidity
6. Sensitivity to market risk

These components are then used to determine a Composite rating. Composite ratings of 3, 4 or 5 define the institution as "troubled".

Safety and Soundness are not conducted for TEFFI's due to restrictions imposed by the TEFFI Act. Therefore, TEFFI's are not assigned ratings.

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The following schedule reflects the OSBC examination compared to benchmarks for FY2024:

Table I: Exam Statistics by Region

As of 6/30/2024					
Region*	Total # of Banks	# of Exams to Meet Objectives	# of Exams Completed by State (Includes Joint Exams)	# of Exams by FDIC/FRB Only	# of Total Exams +Above/-Below the Criteria
East	61	41	26	16	1
Northwest	48	32	13	14	-5
South	59	40	19	23	2
Total	168	113	58	53	-2

Table II: Assets of Regulated Entities

	Actual as of 6/30/24	Projected as of 6/30/25	Projected as of 6/30/26	Projected as of 6/30/27
Number of State-Chartered Banks	168	160	155	150
Assets of State-Chartered Banks (in millions)	\$61,479	\$57,500	\$60,000	\$65,000
Total assets of problem banks as a percentage of total bank assets	1.07%	2.00%	3.00%	2.75%
Number of problem banks as a percent of total number of banks	4.76%	3.80%	4.00%	4.00%
Assets of State-Chartered Trust Companies/Departments (in millions)	\$84,321	\$175,000	\$200,000	\$250,000

*As of 12/31/2023- doesn't include MITC (estimated \$64,202 as of 6/30/2024)

Table III: CAMEL Ratings and Problem Banks

Fiscal Year Beginning	# of banks	CAMELS Ratings			Change in Problem Banks
		1	2	3,4,5	
6/30/2020	187	66	106	15*	5
6/30/2021	183	68	107	8*	-7
6/30/2022	177	79	94	4*	-4
6/30/2023	172	75	92	4*	0
6/30/2024	168	69	91	8*	4

* One problem institution was acquired 7/1/2024

An outcome of the examination function is to ensure the financial integrity of supervised institutions through the issuance of an examination report and CAMELS rating. The CAMELS rating provides a mechanism where problem institutions can be closely monitored. When warranted, the OSBC may choose to impose corrective action, such as Board of Resolutions, Memorandums of Understanding, and Consent Orders.

Table IV: Enforcement Actions Outstanding

Type of Action (In Order of Severity)	As of 6/30/2020	As of 6/30/2021	As of 6/30/2022	As of 6/30/2023	As of 6/30/2024
Consent Orders	5	5	2*	3*	3*
Memorandum of Understanding	7	3	2	1	4**
Written Agreements	0	0	0	0	0
Board of Directors' Resolution	0	0	0	0	1
Total	12	8	4	4	8

*One listed Consent Order is an FDIC Consent Order for BSA that the OSBC did not jointly sign.

**Two listed are recommended/proposed and were under review.

Applications from financial institutions and trust entities must be reviewed in a timely manner and acted upon by the appropriate authority within statutory or Agency established time frames required.

	FY2022			FY2023			FY2024		
	Received	Approved/ Denied	Turn Around Time (Days)	Received	Approved/ Denied	Turn Around Time (Days)	Received	Approved/ Denied	Turn Around Time (Days)
Merger	4	5	58	7	7	56	5	5	27
Acquisitions	3	2	37	0	0	0	0	0	0
Change of Control	7	5	47	2	2	188*	2	2	39
Conversion	0	0	N/A	0	0	0	0	0	0
Relocations	2	3	18	4	4	24	2	2	8
New Branch/TSO	9	8	32	10	10	28	5	5	21
New Charter	0	1*	200	2	2	135	0	0	0
Name Change	4	4	18	2	2	15	0	0	0
Trust Powers	0	0	N/A	0	0	0	0	0	0
Reduction of Capital Account	0	0	0	5	5	20	2	2	25
Revenue Bonds	1	0	0	0	0	0	0	0	0
Subsidiary	1	1	64	0	0	0	0	0	0
Total	31	30	43	32	32	67	16	16	24

*One change of control application was subject to reconsideration resulting in an extended turnaround timeframe. All statutory timeframe parameters for an application decision have been met.

STAFFING LEVEL

The Bank, Trust and TEFFI Division is requesting authorization for 64.0.

EXPENDITURE SUMMARY for FY2025, FY2026, and FY2027:

Account Category	FY25 Request	FY26 Request	FY27 Request
Salaries and Wages (51000)	\$6,293,193	\$6,364,699	\$6,370,348
Contractual Services (52000-52900)	\$ 893,930	\$ 888,017	\$ 895,473
Commodities (53000-53900)	\$ 14,150	\$ 12,000	\$ 12,000
Capital Outlay (54000)	\$ 25,108	\$ 50,250	\$ 30,250
Total	\$7,226,381	\$7,314,966	\$7,308,071

ACTUAL EXPENDITURE DATA FOR FY2024:

51000 — *Salaries and Wages* -- \$5,865,016: Employee wages and employer benefit costs.

52000 — *Communication* -- \$35,570: Phone service and long distance for the field offices, postage, and cell phones costs.

52100 -- *Freight and Express* -- \$330: Overnight delivery services (FedEx, UPS, etc.).

52200 — *Print and Advertising* -- \$2788: Bank directory books, State printer costs for business cards.

52300 — *Rents* -- \$195,929: Rent for division staff statewide and equipment rental for field office locations.

52400 — *Repair and Service* -- \$2,249: Vehicle repairs for field offices.

52500 — *Travel* -- \$101,511: Travel costs to examine state banks and trust departments. Also includes all division staff travel to training and conferences on behalf of the Agency.

52600 — *Other Service Fees* -- \$72,578: Internet service for field offices and registration fees for division staff to attend training and conferences.

52700 — *Professional Services Fees* -- \$483: KBI background checks for employees.

52900 — *Other Contractual Services* -- \$157,467: Annual dues to the Conference of State Bank Supervisors and other professional organizations and legal fees for TEFFI.

53200 — *Food for Human Consumption* -- \$351: Hospitality/food for Agency meetings.

53500 — *Vehicle Parts/Gasoline* -- \$7,563: Gasoline consumption for Agency/rental vehicles and replacement parts for Agency vehicles.

53700 — *Office Supplies* -- \$1,806: Office supplies (including toner) for the field offices.

53900 — *Other Supplies* -- \$385: Misc. supplies for the field offices.

54000 — *Office Furniture and Equipment* -- \$73,866: *Two passenger vehicles to use by staff to travel to examinations.*

54100 — *Computer Equipment* -- \$24,108: Replacement of laptops/printers for field office staff.

INVESTIGATION PROGRAM

This program incurs expenses associated with various applications submitted to the State Banking Board for approval. Requests are primarily applications for new bank charters and new trust company charters. The State Banking Board, if necessary, will conduct a hearing on the application, which in turn generates the expenses remitted through this program.

This program is projected as a “No Limit” fund.

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CONSUMER AND MORTGAGE LENDING REGULATION PROGRAM

The CML Division oversees and supervises consumer credit lenders, mortgage lenders, servicers and brokers, money transmitters, debt management companies, sales finance companies and other credit providers. Thus, the Division administers the UCCC, KMBA, KMTA and CSO Act, as well as Federal Regulation Z, Federal Regulation M, the Real Estate Settlement Procedures Act (RESPA), the Fair Debt Collection Act, the Fair Credit Reporting Act, Equal Credit Opportunity Act, and other applicable federal laws and regulations.

PROGRAM GOALS

The CML Division maintains the following goals:

- Ensure a regulatory environment that provides for reasonable regulation of regulated entities and a robust yet fair marketplace where consumers may obtain credit;
- License mortgage, consumer credit, and money service providers in accordance with state and federal laws and regulations;
- Conduct periodic examinations of regulated entities to promote lawful credit practices and compliance with state and federal laws and regulations;
- Take enforcement actions to address credit activities that violate state laws or regulations;
- Maintain a consumer complaint investigation and response program to assist consumers with questions and/or concerns; and
- Facilitate consumer financial education statewide, collaborating with other State of Kansas financial regulatory agencies to streamline consumer access to financial education and resources.

Table I: Entities Regulated by the Consumer and Mortgage Lending Division

Entities Regulated by the Consumer and Mortgage Lending Division						
Type	As of 6/30/2024		As of 6/30/2023		As of 6/30/2022	
	Company	Branch	Company	Branch	Company	Branch
Supervised Lenders	367	305	370	306	356	331
Mortgage Companies	630	1178	613	1290	551	1549
Money Transmitters	189		186		183	
Total Licensees	1,186	1,483	1,169	1,596	1,090	1,880
Loan Originators		7,182		8,126		11,790
Notification Filings		1,545		1,526		1,749
Credit Service Organizations		22		25		26
Total Regulated Entities		11,418		12,442		16,535

Chart I: Historical Data of Total Regulation

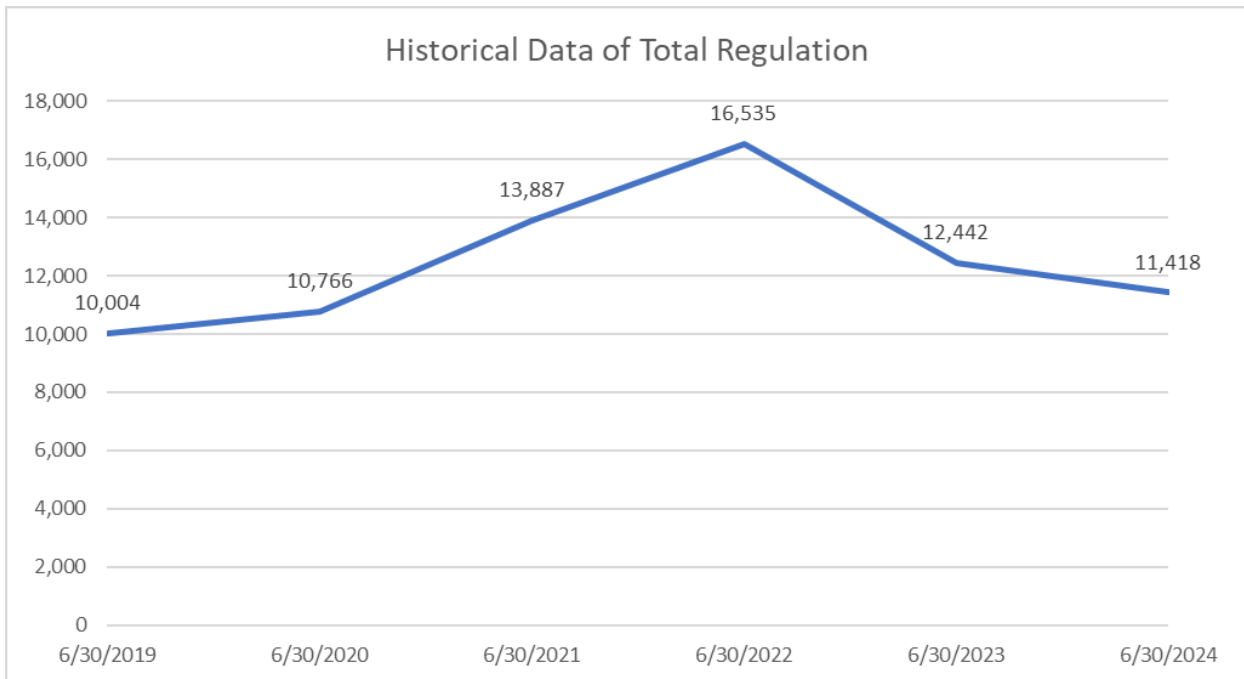
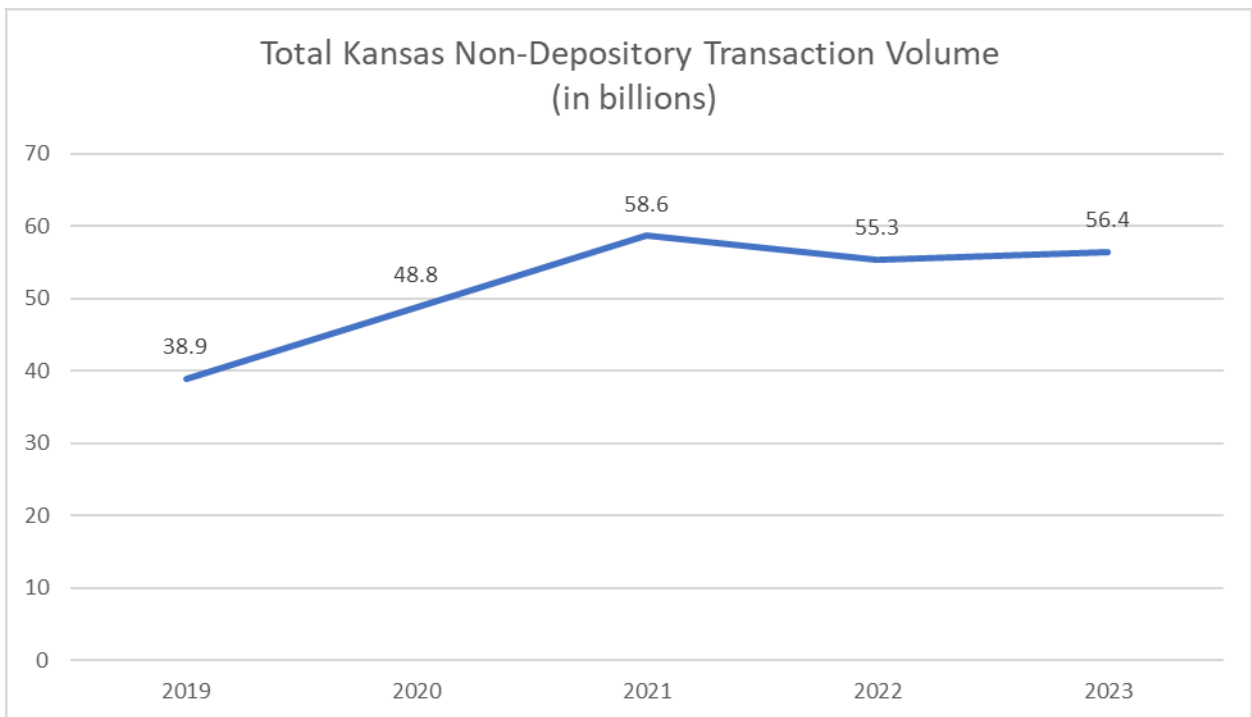


Chart II: Historical Data of Transaction Volume**



*Transaction volume includes: mortgage loan originations, acquisitions, and servicing; consumer loan originations and servicing; credit sales originations and servicing; and debt management plans.

**Transaction volume is reported annually; therefore, 2024 data is not available at time of budget submission.

The UCCC, KMBA, and the KMTA provide authority for the CML Division to examine licensed mortgage, consumer credit, and money service providers. The target examination cycle has been determined to be not more than 36-48 months. This period was selected to coincide with certain state and federal recordkeeping requirements associated with mortgage and credit transactions.

STAFFING LEVEL

The Consumer and Mortgage Lending Regulation Program is requesting authorization for 33.0 FTE positions and 2.0 non-FTE unclassified positions for FY2025, FY2026, and FY2027.

EXPENDITURE SUMMARY for FY2025, FY2026, and FY2027:

Account Category	FY25 Request	FY26 Request	FY27 Request
Salaries and Wages (51000)	\$3,461,269	\$ 3,491,665	\$3,526,272
Contractual Services (52000-52900)	\$ 484,196	\$ 503,789	\$ 514,227
Commodities (53000-53900)	\$ 8,800	\$ 9,000	\$ 9,000
Capital Outlay (54000)	\$ 22,600	\$ 37,400	\$ 24,200
Grants to Non-State Entities	\$ 200,000	\$ 200,000	\$ 200,000
Total	\$4,176,865	\$ 4,241,854	\$4,273,699

ACTUAL EXPENDITURE DATA FOR FY2024

51000 — *Salaries and Wages* -- \$3,279,154: Employee wages and employer benefit costs.

52000 — *Communication* -- \$18,518: Phone service and long distance for the field offices, postage, and cell phones costs.

52100 -- *Freight and Express* -- \$55: Overnight delivery services (FedEx, UPS, etc.).

52200 — *Print and Advertising* -- \$7,025: Consumer Education money used to sponsor education events, State printer costs for business cards.

52300 — *Rents* -- \$136,737: Main office/field office building rent and office equipment rental for the field offices.

52400 — *Repair and Service* --\$249: Vehicle repairs for field offices.

52500 — *Travel* -- \$117,074: Travel costs incurred by staff to travel to on-site examinations, training, and conferences on behalf of the Agency.

52600 — *Other Service Fees* -- \$36,877: Internet service for field offices and registration fees for division staff to attend training and conferences.

52700 — *Professional Services Fees* -- \$1,096: KBI background checks for employees and licensees.

52900 — *Other Contractual Services* -- \$28,917: Annual dues to the Conference of State Bank Supervisors and other professional organizations.

53200 — *Food for Human Consumption* -- \$1,613: Hospitality/food for Agency meetings.

53500 — *Vehicle Parts/Gasoline* -- \$3,742: Gasoline consumption for Agency/rental vehicles to travel to on-site examination, conference, and training.

53700 — *Office Supplies* -- \$1,845: Office supplies (including toner) for the main office and field offices.

53900 — *Other Supplies* -- \$230: Misc. supplies for the field offices.

54100 — *Computer Equipment* -- \$8,780: Replacement of laptops/printers/monitors for field office staff.

55160 — *State Aid to Qualified Non-State Organizations* -- \$200,091: Grants to entities that provide consumer education programs to Kansas consumers.

CONSUMER PROTECTION AND EDUCATION

An important part of the OSBC's mission is to protect and educate consumers, and a primary goal of the Legal Division is to ensure consumers receive the protection afforded them under various state and federal laws. To help meet this objective, the Consumer Affairs department handles consumer complaints. The Consumer Affairs department communicates and facilitates between consumers and financial service providers, in an effort to resolve any differences. This work may result in refunds and other financial savings and benefits to consumers. During this process, data is gathered to help detect trends and assist during examinations of the providers. These activities require resources to investigate, examine, prepare, and enforce actions against entities found to have committed violations.

The OSBC provides information to both consumers and providers conducting business in Kansas through the agency's website. The website provides information on laws, regulations, application requirements and allows online submission of inquiries and complaints.

In addition, regulated entities benefit through the agency's efforts to ensure a level playing field, allowing those entities to compete in a fair marketplace. The OSBC serves as a resource to regulated entities, and those considering doing business in our state, on applicable laws and regulations and application procedures to help ensure compliance.

Table II: Consumer Inquiries and Complaints

	Fiscal Year ending 6/30/24	Fiscal Year ending 6/30/23
OSBC Consumer Inquires and Complaints	1,451	1,540

CONSUMER EDUCATION AND TRAINING PROGRAM GRANTS AND LOCAL ASSISTANCE 2024

OSBC meets its mission objective of supporting financial educational initiatives. In addition to periodic and unscheduled personal presentations by the commissioner and/or staff members, the OSBC awards grants to fund certain activities conducted by educators, nonprofits, and other entities throughout Kansas. OSBC increased the grant funding amount from \$160,286 in FY2023 to \$200,091 in FY2024.

In FY2024 the OSBC received eight grant applications, and all were approved for funding. Using their grant funds to provide many types of financial literacy education, those eight entities collectively reached over 1,123,580 Kansas consumers of all ages.

The eight grant recipients for FY2024 were:

Kansas Bankers Educational Foundation. Grant award - \$20,000

The Kansas Bankers Educational Foundation was established in 1999 to help support their member banks and the Kansas banking industry to promote financial literacy initiatives and provide scholarships to Kansas students who desire working in the Kansas financial industry. Grant proceeds were used to fund implementation of a workforce development and financial education campaign across Kansas.

Catholic Charities of Southwest Kansas. Grant award - \$20,000

Catholic Charities of Southwest Kansas was formed in 1951 and today has offices in Great Bend, Dodge City and Garden City and serves a 28-county region. The purpose of their grant was to establish a dedicated financial literacy program that provides in-depth financial education with the goal of helping individuals gain financial independence.

Housing and Credit Counseling, Inc. Grant award \$22,581

HCCI just celebrated 52 years of nonprofit service in its mission to counsel and educate all people to achieve their personal housing and financial goals. HCCI’s grant funds were used to provide financial literacy classes all throughout the state.

Jobs for America’s Graduates – Kansas (JAG-K). Grant award - \$25,000

JAG-K is an in-school elective class taught by a JAG Career Specialist to help students who are at risk of graduating from high school. The JAG model includes Project Based Learning, Financial Literacy,

Trauma Informed Care and Employer Engagement modules. Using skills learned from these modules, each year students compete locally, regionally, and then nationally in the areas of Financial Literacy, Public Speaking, Employability and Project Based Learning.

The Pando Initiative. Grant award - \$55,000

The Pando Initiative, headquartered in Wichita is an organization that connects with students to help them engage and thrive in education and in their futures using the Reality U program. Reality U is a financial literacy simulation of life as a 26-year-old. In addition to funding Reality U, The Pando Initiative will use grant funds to provide twenty-six \$500 scholarships to rural and economically disadvantaged (Title 1) students in the 2023-2024 school year.

Mirror, Inc. Grant award - \$6,510

The Mirror, Inc. Work for Success program in Lawrence and Topeka features the Personal and Professional Development Curriculum which is designed to inspire participants to realize their dreams and achieve self-sufficiency. The grant funds were used to provide financial literacy classes to program participants and assist them with creating budgets. The participants were also given tools for obtaining and maintaining employment.

Consumer Credit Counseling Service. Grant award - \$20,000

CCCS is a nonprofit community service organization with a mission to empower individuals through education and counseling to make sound financial decisions. Their grant funds were used to provide educational presentations at schools and organizations, as well as services from their offices located in Salina and Wichita, to increase financial literacy. They focus on getting in touch with our youth to provide working tools to avoid financial pitfalls they may encounter as adults. They also assist Kansas families with debt reduction strategies and improving basic money management skills.

Kansas Council for Economic Education. Grant award - \$20,000

KCEE works with individual teachers to help integrate more economic and personal finance concepts into their existing curriculum. Through economic and financial literacy education, Kansas students will become more knowledgeable consumers, wise savers and investors, more responsible citizens, and better employees. The OSBC is a proud sponsor of the Personal Finance Challenge which is a yearly competition for students in middle school and high school who work as individuals and on teams and are tested on their knowledge of facts and terms relating to finances.

*For FY2025, 10 grant applications have been received and are currently under review. The OSBC Grant Committee will be making their determination for funding in the next few weeks.