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Bank Commissioner

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David L. Herndon, Bank Commissioner

Laura Kelly, Governor

September 15, 2023

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 FY2024 and FY2025. 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
Molly Pratt, 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

State Banking Board fees have remained unchanged since the 1970's, clearly not keeping pace with inflation, or the increased obligations asked of members. Legislation introduced in 2020 addressing board compensation was not successful due in part to the abbreviated legislative session brought on by the COVID19 pandemic. Subsequently, the legislature considered but did not approve an increase in board compensation in later sessions. Consequently, OSBC proposes a budget enhancement of \$12,420 to fund the increase in board fees from the current \$35 to \$150 per meeting attended.

Additionally, requests for promotion increases for OSBC staff should be anticipated during the ensuing budget years. Career path opportunities are vital components to attracting and maintaining a high-quality examination and administrative staff. OSBC did receive, in 2023 approval to reimplement job categories, especially among the financial examiner staff. Appropriate slotting for the affected staff is complete and career tracks are established. As staff progresses through the tiers, compensation increases are warranted and will be requested.

The regulated entities subject to our examinations expect consistency and demand professionalism. Certain of these entities have voiced support to make Kansas competitive in this arena especially since these entities are funding 100% of the agency's operations. Maintaining a competitive salary structure that permits Kansas to offer such compensation is critical to this objective. To accomplish this objective, OSBC proposes a \$50,000 budget enhancement to fund salaries for career path progressions and meet the competitive demands of the market.

The third budget enhancement request is for two additional examiners. Both positions would be as Trust Examiners due to the approval of the MITC application which is expected to approximately double trust assets under OSBC regulatory supervision. These positions are also necessary due to the increasing complexity of trust examinations, the need to increase the penetration level of trust files during an examination, the need for a realignment of duties for the Trust Regional Manager, and the need to provide for succession.

Budget Enhancements	FY24 Request	FY25 Request
Board Member Fee Increase	\$ 12,420	\$ 12,420
Salary Enhancements	\$ 68,468	\$ 68,262
Add 2 Trust Examiners	\$ 127,714	\$ 163,793
Total	\$ 208,602	\$ 244,475

BUDGET OVERVIEW

Actual total expenses for the FY 2023 were \$11,901,597 comparing favorably to the budgeted total of \$12,704,267. This favorable result demonstrates the OSBC is 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 85% of actual expenditures in FY2023. Other

significant expense components of the Agency’s administrative operations include dues paid to the Conference of State Bank Supervisors (CSBS), the national trade association and accrediting body 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 several non-depository committees managed by state banking regulators), and leasing costs for the Topeka headquarters office and field offices in Lenexa, Wichita, Hays, and Salina. Square Footages reductions in the Lenexa field office were realized in August 2021 and in Wichita in February 2022. Both field offices were remodeled and upgraded as part of the space footprint while realizing a reduction in lease expense. Plans are being developed to consolidate offices and reduce square footage requirements and enhance efficiencies at the Topeka headquarters.

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 of these training events transitioned to virtual events during the pandemic, material savings were realized in the past two years. However, as the pandemic waned, resumption of in-person training and in-person examinations occurred resulting in an increase in travel and lodging expenses in 2023. These expenses are expected to continue increasing.

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

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).

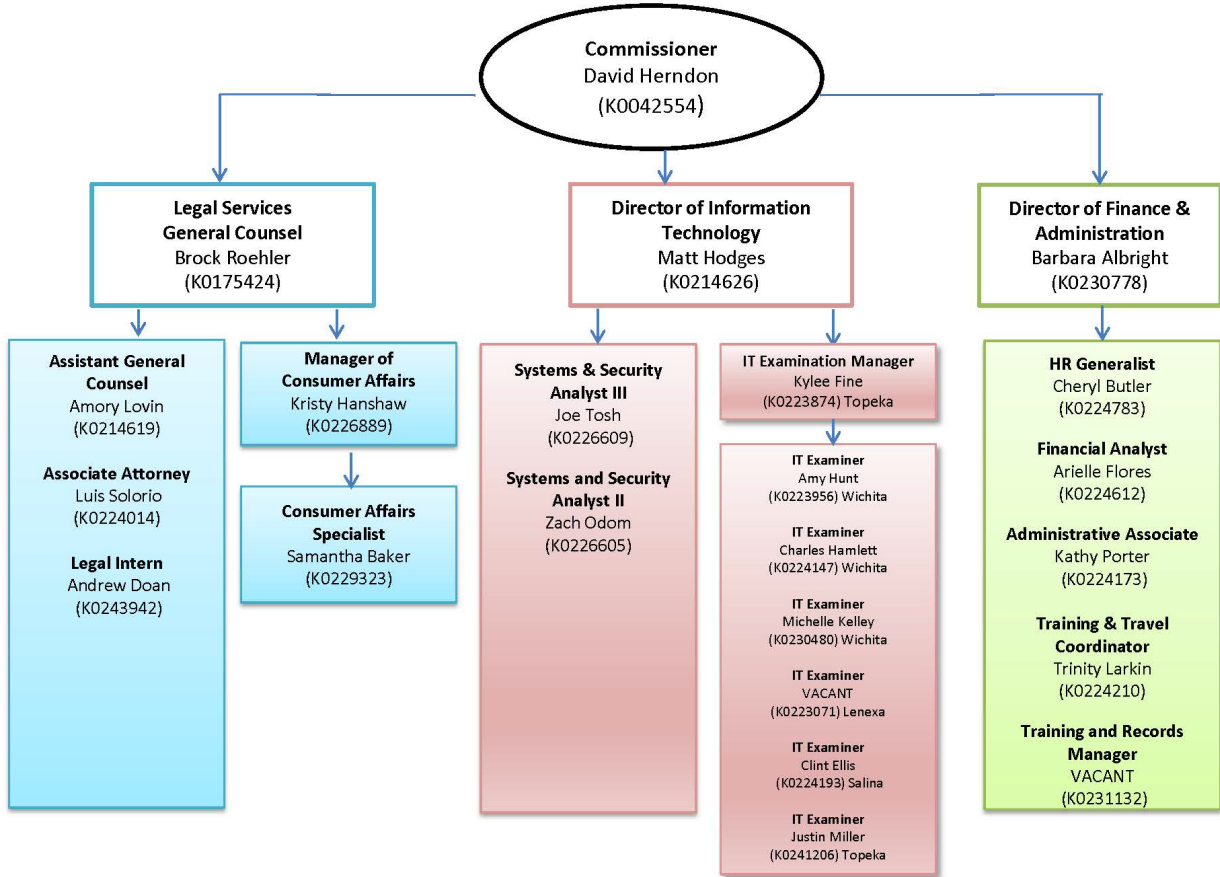
This budget has been prepared in accordance with instructions published by the Division of the Budget. The table below displays service levels for FY2024 and FY2025:

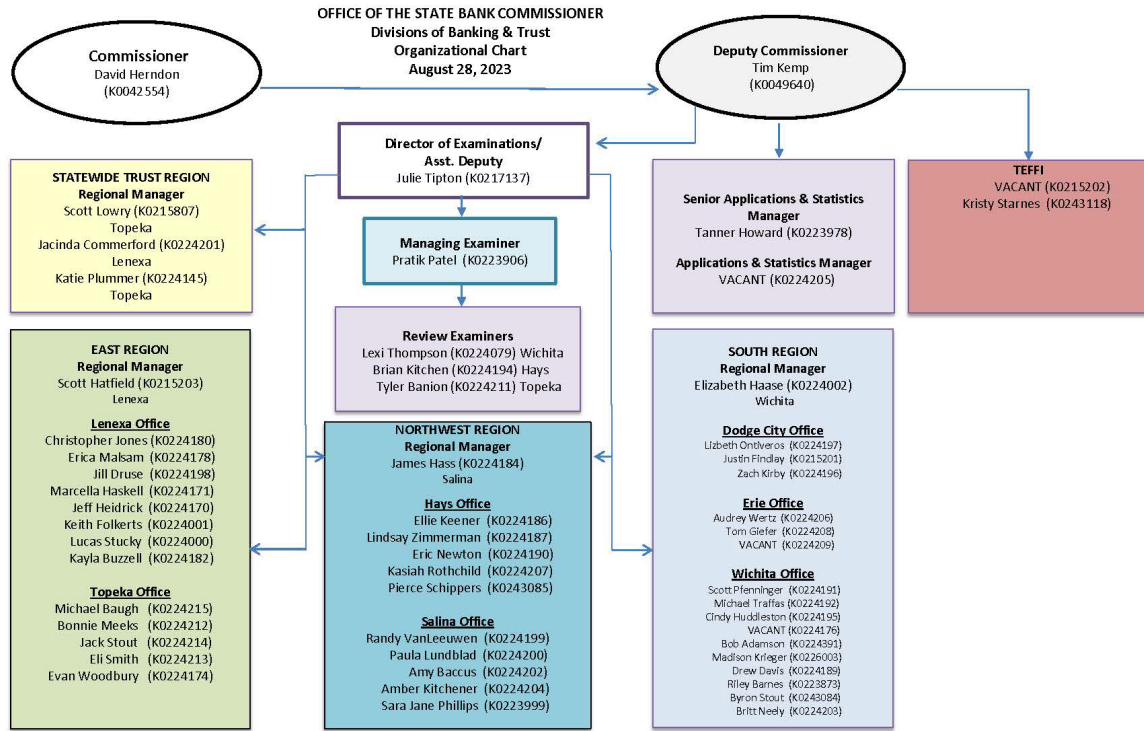
Fiscal Year	Approved Budget	Current Budget Request
FY2024	\$13,421,983	\$13,312,335
FY2025	\$12,870,158	\$13,269,659

The OSBC requests 102.0 FTE and 12.0 non-FTE unclassified permanent positions for a total authorization of 114 positions for FY2024 and FY2025.

Program	FTE Positions	Non-FTE Unclassified Permanent
Administration	10.0	5.0
Bank and Trust Regulation	64.0	
Consumer and Mortgage Lending Regulation	30.0	5.0

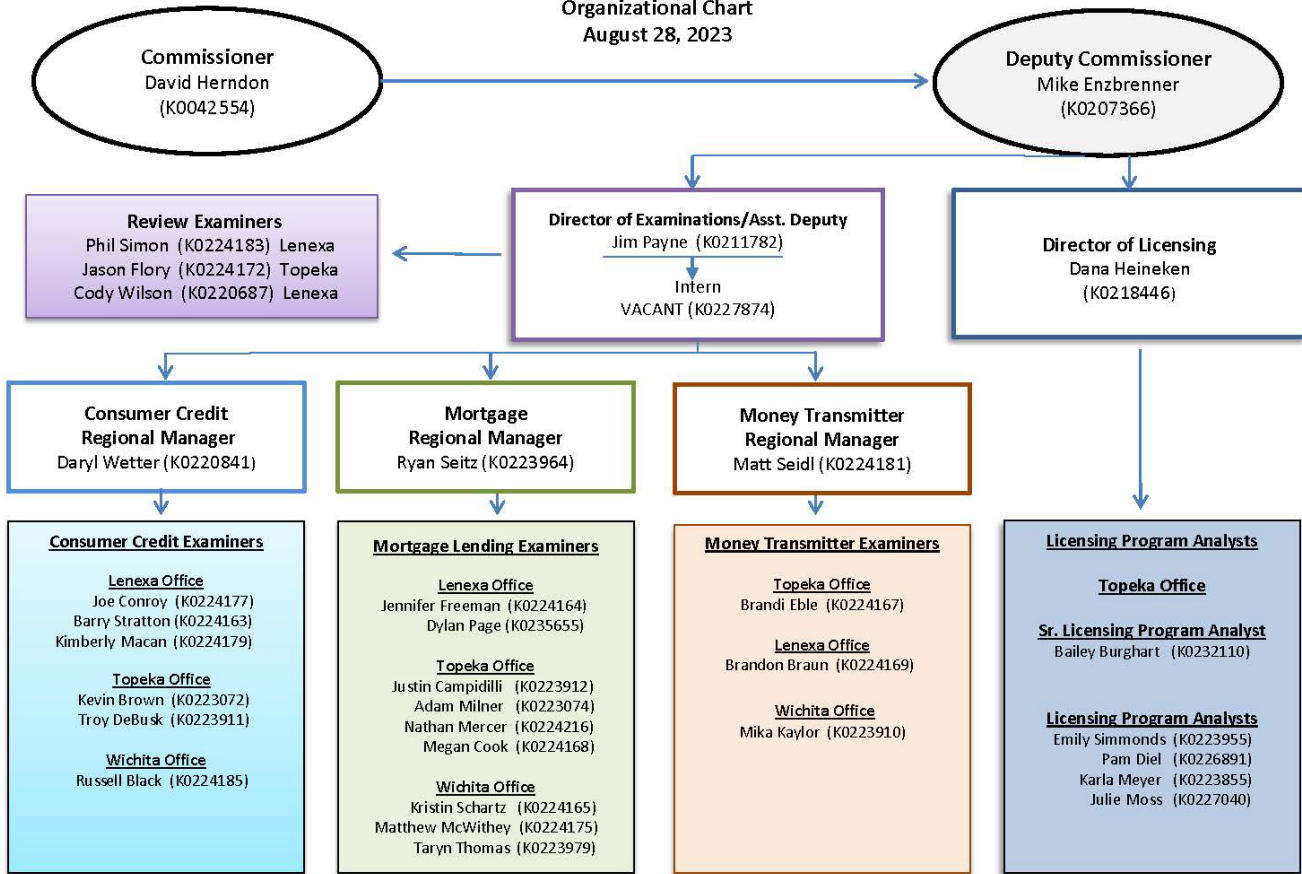
OFFICE OF THE STATE BANK COMMISSIONER
Administration Organizational Chart
August 28, 2023





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**OFFICE OF THE STATE BANK COMMISSIONER
Division of Consumer and Mortgage Lending
Organizational Chart
August 28, 2023**



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 TOTAL ASSETS (000)	FY24 Rates per Million in Total Assets
Assets Less Than \$500,000	0.160
Assets Greater Than \$500,000 to \$1,000,000	0.135
Assets Greater Than \$1,000,000 to \$5,000,000	0.110
Assets Greater than \$5,000,000	0.090

TRUST ASSESSMENT RATES	FY24 Rate	FY23 Rate	FY22 Rate	FY21 Rate	FY20 Rate
Inactive	\$100	\$100	\$100	\$100	\$100
\$0 to \$10,000,000	2,500	2,500	2,500	1,000	1,000
>\$10,000,000 to \$100,000,000	4,000	4,000	4,000	3,300	3,300
>\$100,000,000 to \$1,000,000,000	5,800	5,800	5,800	5,000	5,000
>\$1,000,000,000 to 5,000,000,000	14,500	14,500	14,500	7,500	7,500
>\$5,000,000,000 to 25,000,000,000	22,000	22,000	22,000	18,500	18,500
>\$25,000,000,000	22,000+				

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

State statues establishes 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:

CML LICENSE FEES	FY24 Rate	FY23 Rate	FY22 Rate	FY21 Rate	FY20 Rate
Company new or renewal license for principal place of business*	\$400	\$400	\$400	\$400	\$400
Company new or renewal license for branch office	\$100	\$100	\$300	\$300	\$300
Loan originator new license	\$100	\$100	\$100	\$100	\$100
Loan originator renewal license	\$50	\$50	\$50	\$50	\$50
Annual licensing fee** (per \$100,000)	\$2.00 - \$6.00	\$2.00 - \$6.00	\$3.00 - \$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 - \$10	\$5 - \$10	\$5 - \$10

*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 15.0 positions for FY2024 and FY2025.

Job Title	FTE Positions	Non-FTE Unclassified Permanent Positions
Bank Commissioner	1.0	
General Counsel	1.0	
Director of Finance & Admin		1.0
IT Director	1.0	
Assistant General Counsel	1.0	
Associate Attorney	1.0	
Human Resources Generalist		1.0
Financial Analyst	1.0	
Administrative Associate		1.0
Training and Record Manager		1.0
Systems & Security Analyst III	1.0	
Systems & Security Analyst II	1.0	
Training & Travel Coordinator		1.0
Manger of Consumer Affairs	1.0	
Consumer Affairs Specialist		1.0

EXPENDITURE SUMMARY for FY2024 and FY2025:

Account	FY24 Request	FY25 Request
Salaries and Wages (51000)	\$1,591,218	\$1,584,783
Contractual Services (52000-	\$ 647,217	\$ 633,467
Commodities (53000-53900)	\$ 19,248	\$ 13,572
Capital Outlay (54000)	\$ 111,996	\$ 34,231
Total	\$2,329,906	\$2,227,116

ACTUAL EXPENDITURE DATA FOR FY2023:

51000 — *Salaries and Wages* -- \$1,453,727: Employee wages and employer benefit costs.

52000 — *Communication* -- \$49,899: Phone service and long distance for the main office, postage, and cell phones costs.

52100 -- *Freight and Furniture moves* -- \$493: Overnight delivery services (FedEx, UPS, etc.).

52200 — *Print and Advertising* -- \$490: State printer costs for business cards, letterhead, etc.

52300 — *Rents* -- \$397,357: Main office building rent, copier equipment rental for the main office, and computer software rental.

52400 — *Repair and Service* -- \$1,385: Car repairs for main office vehicles and software maintenance agreements. Also includes networking repair/troubleshooting costs.

52500 — *Travel* -- \$18,671: Travel costs incurred by Administration staff to travel to training and conferences.

52600 — *Other Service Fees* -- \$78,706: 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* -- \$35,332: KBI background checks for employees and expenses paid for an MOU with Personnel Services.

52900 — *Other Contractual Services* -- \$3,220: Dues paid to professional organizations.

53200 — *Other Supplies* -- \$2,784: Hospitality/food for Agency events and employee apparel to comply with Agency dress code.

53500 — *Vehicle Parts/Gasoline* -- \$2,094: Gasoline consumption for Agency/rental vehicles used by Administration staff.

53600 — *Professional Supplies* -- \$1,342 Copies of session laws and KSA supplement sets.

53700 — *Office Supplies* -- \$8,095: Office supplies (including toner) for the main office.

53900 — *Other Supplies* -- \$1,978: Misc. supplies for the main office including access security badges.

54000 — *Office Furniture and Equipment* -- \$305: Replacement of power adapters.

54100 — *Computer Equipment* -- \$27,301: Replacement of laptop for staff, 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 \$132,637,000,000. 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".

The following schedule reflects the OSBC examination compared to benchmarks for FY2023:

Table I: Exam Statistics by Region

As of 6/30/2023					
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	62	41	19	24	+2
Northwest	48	32	21	12	+1
South	62	41	26	15	0
Total	172	114	66	51	+3

Table II: Assets of Regulated Entities

	Actual as of 6/30/23	Projected as of 6/30/24	Projected as of 6/30/25	Projected as of 6/30/26
Number of State-Chartered Banks	172	166	162	158
Assets of State-Chartered Banks (in millions)	59,271	61,500	70,000	73,500
Total assets of problem banks as a percentage of total bank assets	0.46%	2.00%	3.00%	2.75%
Assets of State-Chartered Trust Companies/Departments (in millions)	73,096	155,000	170,000	187,000

Table III: CAMEL Ratings and Problem Banks

Fiscal Year Beginning	# of banks	CAMELS Ratings			Change in Problem Banks
		1	2	3,4,5	
6/30/19	192	69	113	10	+1
6/30/20	187	66	106	15*	+5
6/30/21	183	68	107	8*	-7
6/30/22	177	79	94	4*	-4
6/30/23	172	75	92	4*	0

* One problem institution was included due to BSA/AML concerns

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 6/30/2019	As of 6/30/2020	As of 6/30/2021	As of 6/30/2022	As of 6/30/2023
Consent Orders	1	5	5	2*	3*
Memorandum of Understanding	9	7	3	2	1
Written Agreements	0	0	0	0	0
Board of Directors' Resolution	0	0	0	0	0
Total	10	12	8	4	4

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

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.

	FY2021			FY2022			FY2023		
	Received	Approved /Denied	Turn Around Time (Days)	Received	Approved /Denied	Turn Around Time (Days)	Received	Approved /Denied	Turn Around Time (Days)
Merger	6	5	44	4	5	58	7	5	56
Acquisitions	0	0	N/A	3	2	37	0	0	0
Change of Control	6	6	46	7	5	47	2	2	188*
Conversion	0	0	N/A	0	0	N/A	0	0	N/A
Relocations	5	4	25	2	3	18	4	4	24
New Branch/TS O	18	17	21	9	8	32	10	10	28
New Charter	2	1	78	0	1*	200	2	2*	135
Name Change	2	2	28	4	4	18	2	2	15
Trust Powers	1	1	6	0	0	N/A	0	0	N/A
Reduction of Capital Account	3	3	23	0	0	0	5	5	20
Revenue Bonds	5	5	35	1	0	0	0	0	0
Subsidiary	0	0	0	1	1	64	0	0	0
Total	48	44	34	31	30	43	32	32	67

*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

Job Title	FTE Positions	Non-FTE Unclassified Permanent Positions
Deputy Bank Commissioner	1.0	
Director of Examinations	1.0	
Managing Examiner	1.0	
Regional Manager	4.0	
Review Examiner	3.0	
Sr. Applications & Statistics Manager	1.0	
Applications & Statistics Manager		1.0
IT Examiners	5.0	
Financial Examiner	44.0	
TEFFI Examiners	3.0	

EXPENDITURE SUMMARY for FY2024 and FY2025:

Account Category	FY24 Request	FY25 Request
Salaries and Wages (51000)	\$6,358,580	\$6,437,065
Contractual Services (52000-52900)	\$ 760,570	\$ 780,459
Commodities (53000-53900)	\$ 19,959	\$ 19,434
Capital Outlay (54000)	\$ 95,074	\$ 57,108
Total	\$7,050,367	\$7,109,516

ACTUAL EXPENDITURE DATA FOR FY2023:

51000 — *Salaries and Wages* -- \$5,626,991: Employee wages and employer benefit costs.

52000 — *Communication* -- \$34,695: Phone service and long distance for the field offices, postage, and cell phones costs.

52100 -- *Freight and Express* -- \$488: Overnight delivery services (FedEx, UPS, etc.).

52200 — *Print and Advertising* -- \$127: State printer costs for business cards, letterhead, etc.

52300 — *Rents* -- \$143,685: Rent for division staff statewide and equipment rental for field office locations.

52400 — *Repair and Service* -- \$1,677: Vehicle repairs for field offices.

52500 — *Travel* -- \$88,111: 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* -- \$63,956: Internet service for field offices and registration fees for division staff to attend training and conferences.

52700 — *Professional Services Fees* -- \$480: KBI background checks for employees.

52800 — *Utilities* -- \$0

52900 — *Other Contractual Services* -- \$272,066: Annual dues to the Conference of State Bank Supervisors and other professional organizations and legal fees for TEFFI.

53200 — *Food for Human Consumption* -- \$287: Hospitality/food for Agency events.

53500 — *Vehicle Parts/Gasoline* -- \$6,815: Gasoline consumption for Agency/rental vehicles and replacement parts for Agency vehicles.

53700 — *Office Supplies* -- \$4,496: Office supplies (including toner) for the field offices.

53900 — *Other Supplies* -- \$1,487: Misc. supplies for the field offices.

54000 — *Office Furniture and Equipment* -- \$0:

54100 — *Computer Equipment* -- \$31,754: 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.

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 6/30/2023		As of 6/30/2022	
	<u>Company</u>	<u>Branch</u>	<u>Company</u>	<u>Branch</u>
Supervised Lenders	370	306	356	331
Mortgage Companies	613	1290	551	1549
Money Transmitters	186		183	
Total Licensees	1,169	1,596	1,090	1,880
Loan Originators	8,126		11,790	
Notification Filings	1,526		1,749	
Credit Service Organizations	25		26	
Total Regulated Entities	12,442		16,535	

Chart I: Historical Data of Total Regulation

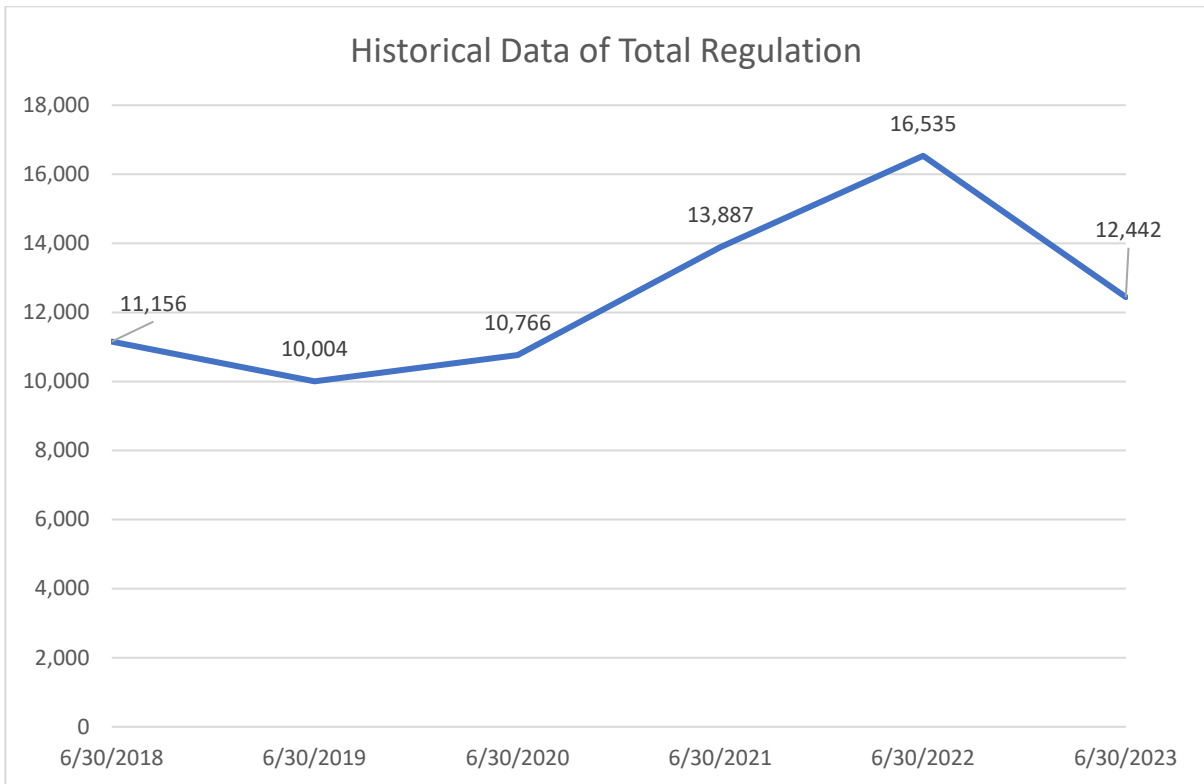
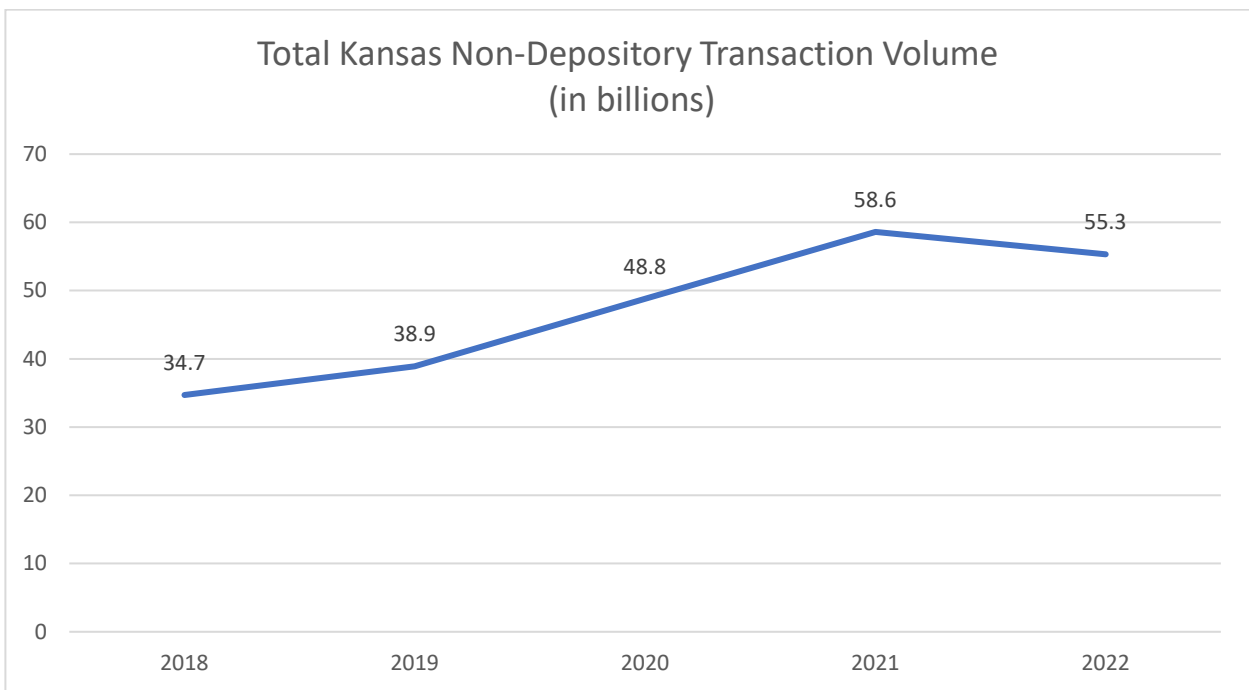


Chart II: Historical Data of Transaction Volume



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

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 30.0 FTE positions and 5.0 non-FTE unclassified positions for FY2024 and FY2025.

Job Title	FTE Positions	Non-FTE Unclassified Permanent Positions
Deputy Commissioner	1.0	
Director of Examinations	1.0	
Director of Licensing	1.0	
Regional Manager	3.0	
Review Examiner	3.0	
Financial Examiner	18.0	
IT Examiner	3.0	
Sr Licensing Program Analyst		1.0
Licensing Program Analyst		4.0

EXPENDITURE SUMMARY for FY2024 and FY2025:

Account Category	FY24 Request	FY25 Request
Salaries and Wages (51000)	\$3,373,011	\$ 3,365,384
Contractual Services (52000-52900)	\$ 457,380	\$ 470,396
Commodities (53000-53900)	\$ 10,127	\$ 9,744
Capital Outlay (54000)	\$ 42,730	\$ 38,461
Grants to Non-State Entities	\$ 150,000	\$ 150,000
Total	\$3,932,062	\$ 3,933,027

ACTUAL EXPENDITURE DATA FOR FY2023

51000 — *Salaries and Wages* -- \$3,038,312: Employee wages and employer benefit costs.

52000 — *Communication* -- \$17,424: Phone service and long distance for the field offices, postage, and cell phones costs.

52100 -- *Freight and Express* -- \$74: Overnight delivery services (FedEx, UPS, etc.).

52200 — *Print and Advertising* -- \$369: State printer costs for business cards, letterhead, etc.

52300 — *Rents* -- \$139,146: Main office/field office building rent and office equipment rental for the field offices.

52400 — *Repair and Service* --\$176: Vehicle repairs for field offices.

52500 — *Travel* -- \$141,537: Travel costs incurred by staff to travel to on-site examinations, training, and conferences on behalf of the Agency.

52600 — *Other Service Fees* -- \$34,256: Internet service for field offices and registration fees for division staff to attend training and conferences.

52700 — *Professional Services Fees* -- \$1,593: KBI background checks for employees and licensees.

52900 — *Other Contractual Services* -- \$28,663: Annual dues to the Conference of State Bank Supervisors and other professional organizations.

53200 — *Food for Human Consumption* -- \$815: Hospitality/food for Agency events.

53500 — *Vehicle Parts/Gasoline* -- \$3,673: Gasoline consumption for Agency/rental vehicles to travel to on-site examination, conference, and training.

53700 — *Office Supplies* -- \$2,114: Office supplies (including toner) for the main office and field offices.

53900 — *Other Supplies* -- \$364: Misc. supplies for the field offices.

54100 — *Computer Equipment* -- \$25,991: Replacement of laptops/printers/monitors for field office staff.

55160 — *State Aid to Qualified Non-State Organizations* -- \$170,286: 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 6/30/23	Fiscal Year ending 6/30/22
OSBC Consumer Inquires and Complaints	1,540	1,440

CONSUMER EDUCATION AND TRAINING PROGRAM GRANTS AND LOCAL ASSISTANCE 2023

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, non-profits and other entities throughout Kansas. OSBC increased the grant funding amount from \$103,150 in FY2022 to \$160,286 in FY2023.

In FY2023 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 2,118,679 Kansas consumers of all ages.

The eight grant recipients for FY2023 were:

USD 350 – St. John Junior and Senior High School. Grant award - \$10,000

USD 350 is in Stafford County in south-central Kansas. Pre-K through grade 12 are all located on one campus in the city of St. John. The grant was used to help with the start-up of SJH Tiger Bank that provides high school students with an introduction to various occupations in the bank as well as financial literacy skills development.

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.

Housing and Credit Counseling, Inc. Grant award \$31,536

HCCI just celebrated 50 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 - \$15,000

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 - \$40,000

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 20 scholarships ranging from \$500 to \$1,000 to rural and economically disadvantaged (Title 1) students in the 2022-2023 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 - \$17,450

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 FY2024, 8 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.