

Kansas

Quarterly Interest

The Newsletter of the Office of the State Bank Commissioner

Commissioner's Corner

By: *Clancy Norris, Bank Commissioner*

Dear Kansas Bankers,



As we all ring in another year, my hope is that you and your staff had a wonderful holiday season. I also hope that you had a good banking year in 2005 and that your communities have prospered. As a state-chartered banker, you have the opportunity to be a vital part of your community. In a small community or suburb, it is so important to maintain a close tie with your consumers and to support their businesses. Please don't take this close working relationship for granted; it is unique and should always be appreciated and protected.

Strive each day to become a better banker and a better person. We sometimes become complacent and happy with ourselves and fail to recognize the chance for personal and professional growth. You can avoid that pitfall by embracing change and accepting the challenges of new ideas. Opportunities for personal growth occur everyday; don't ignore them!

You are so fortunate to be a Kansas Banker. Although I spent thirty-three years in the banking industry, I'm not sure that I realized how lucky I was to be a banker until I was no longer involved in the bank. I really enjoyed my banking career, but certainly not to the point I should have. As the old saying goes, "you only go down this road once, so make the most of it". Banking is a great occupation and the satisfaction that goes with it is the most rewarding aspect of the career. The ability to help people buy their first home, start their first business, get their first car, buy their first calf, or buy that special ring gives you the opportunity to make a lasting impact on their lives.

I would like to **THANK** each of the 260 state chartered banks in Kansas for your contribution to your communities. Each of you is very special and I have a great deal of respect for you. My New Year's wish is that 2006 will be a successful year for you. May you have not only monetary success but also the success that comes from helping others and positively impacting your communities.

Happy 2006!!

A handwritten signature in black ink that reads "Clancy Norris". The signature is written in a cursive, flowing style.

Winter 2006

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Katrina's Aftermath

By: Bonnie Schraeder, Financial Examiner

(Editor's note: On September 1, 2005, Governor Kathleen Sebelius signed Executive Order 05-06 into effect. This order entitled State of Kansas employees who were certified to serve in Red Cross relief efforts, resulting from Hurricane Katrina, to disaster leave benefits and granted them up to 20 working days leave. Bonnie Schraeder, an OSBC financial examiner in the West Region, accepted a three week assignment in Louisiana and describes her experiences in the following excerpt.)

As volunteers for the American Red Cross, my husband and I departed from Dodge City on September 18, 2005, and embarked on our hurricane relief assignment in Louisiana. Our first stop was in Baton Rouge, where we were assigned a specific job and given our identification papers. From there, we traveled to Covington for the final-processing paperwork; then we were transported to Slidell, Louisiana, a city of 30,000 located on the north shore of Lake Pontchartrain. Our accommodations in Slidell were in a Methodist church auditorium (with 150 of our new best friends!) and our bed was a cot. The culture shock was just beginning!! We were assigned to an Emergency Response Vehicle (ERV), shown in the photo at right, and learned that our task would be to distribute food to the hurricane victims. Each morning at 8:00 a.m., we were debriefed on the potential problems and situations that we could expect to encounter during that day. After our meeting, we drove the ERV to another church, where our delivery meals were being prepared under tents in the parking lot. Eventually, we were off to our assigned neighborhood.

Upon arrival in the neighborhood, we announced over our loud speaker that we had both food and ice to offer. The food was greatly appreciated, but most of the people would have given their first born for a bag of ice! Their front lawns displayed their remaining worldly possessions; their homes were gutted and they were without electricity. Electricity lines were down in every location and, in addition to the necessary repairs to those lines, home inspections (which were very

expensive) were needed before electricity could be restored. The homes on stilts generally had extensive damage, although the newer homes, located furthest from the lake, were somewhat spared. Despite their difficulties, the majority of the people maintained a positive attitude and, fortunately, I didn't meet anyone who had lost a family member to the hurricane.



Bonnie Schraeder on assignment in Slidell, Louisiana.

As visitors, we found that we were also subject to the conditions. We usually did not receive an evening meal at our staff shelter. And, finding a hot meal was a challenge — we had limited methods of transportation and, because of the extensive damage all over town, most of the restaurants (even the fast food varieties) were closed. Those restaurants which were able to serve customers were forced to

reduce their hours of operation and function with a very limited staff, as many of their employees were forced to evacuate. In addition, with the influx of disaster relief volunteers, the population swelled to three times the city's usual size and, as such, travel from one area of the city to another was difficult and, at times, impossible.

While we were given only one day off during the three weeks, it was a very rewarding experience. The people of Louisiana were very appreciative of our endeavors and we made friends with other volunteers from all across the United States and from all walks of life. You get acquainted rapidly when your cot is three feet from the next person!

Banking Division 2006 Legislative Agenda

*By: Judi Stork, Deputy Bank
Commissioner*

For 2006, the Banking Division of the OSBC has two pieces of legislation we plan to introduce. The first legislative proposal would allow the agency to cease the requirement for bank trust departments to file an annual fiduciary report. The information that is provided as part of this annual report is already available to the OSBC from Schedule T of the FDIC's Call Report. As part of this change we would also modify the statutes to allow the OSBC to base their trust assessments on the fiduciary assets reported in the FDIC Call Report, versus the previously mandated OSBC annual fiduciary report. Implementing these changes would reduce the regulatory burden on banks by eliminating the need to complete two different fiduciary reports – one for this agency and one for the FDIC. Additionally, it would allow our agency to more quickly and easily calculate trust department annual assessments.

The second change would be to make revisions to the Kansas Money Transmitter Act, K.S.A. 9-508 et seq., which is part of the state banking code. This proposed bill would make changes to the existing laws that govern money transmitters. Money transmitter activities include those more traditional activities such as sale of money orders and traveler's checks, but also include wire and other electronic transfers of funds. The OSBC currently licenses and regulates such companies; these changes would modernize the terminology, and would give the commissioner the ability to revoke a money transmitter license if certain activities or circumstances were to occur. As a side note, banks are exempt from the provisions of this act.

Secure E-Mail Communication

*By: Glen Caspers, Director
Information Technology Division*

The OSBC has successfully tested and implemented secure electronic mail with Federal regulatory agencies. State examiners may now exchange files and discuss confidential information via e-mail with FDIC and FRB examination staff. What does this mean for the bank and trust companies of Kansas? This is a big efficiency enhancement particularly as it pertains to joint examinations and off-site monitoring. Protecting your confidential examination data is a huge priority for all regulatory agencies. Prior to this implementation, examiners were severely restricted in how confidential information could be exchanged.

How is this secure e-mail accomplished? The OSBC utilizes Transport Layer Security (TLS) to communicate with the FDIC. This method securely encrypts all e-mail and attachments sent between the OSBC and the FDIC. TLS is a protocol that ensures privacy and data integrity between client/server applications communicating over the Internet. Encrypted e-mail with the Federal Reserve System is accomplished with a secure e-mail technology provided by the Zix Corporation, Dallas, Texas. ZixCorp specializes in secure e-communication services in the finance, insurance and health care fields. Secure Internet communications between state and federal regulators is a huge innovation that has been in the works for several years.

Corporate Application Overview for 2005

By: Dana S. Hampton, Director of Corporate Activities

Application activity of state-chartered banks and trust companies remains strong. During 2005, fifty-nine bank and trust company applications were filed. Applications processed include two new charters; twenty-eight new branches; six main/branch office relocations; five name changes; six mergers; eleven changes of control; and one contracting trustee. Also processed were thirty-seven new or renewal applications authorizing companies to conduct money transmitter business in Kansas.

At year-end 2004 the number of banks totaled 261. The number remains the same at year-end 2005 as a result of the merger of two banks and the opening of two new banks. The merger of Farmers State Bank, Hazelton, into Meno Guaranty Bank, Meno, Oklahoma, lowered the total to 260 effective January 1, 2006. Also, during 2005, EBK Trust Company, Overland Park, was merged into Midwest Trust Company, Overland Park, lowering the total number of Kansas state-chartered trust companies to ten.

Application activity summaries are available on the department's home page. As always, if you desire more details on any of the transactions, please feel free to contact our office. A summary of some of the applications and transactions completed during 2005 is provided in the following table.

New Bank Charter	Location	Date Opened
VisionBank	712 South Kansas Avenue, Topeka	5-2-05
RelianzBank	2327 North Ridge Road, Wichita	12-12-05
New Branch	Branch Office Location	Date Opened
Citizens State Bank of Pomona, Pomona	1230 East Logan, Ottawa	1-18-05
Kansas State Bank of Manhattan, Manhattan	539 West Sixth Street, Junction City	2-8-05
The Citizens State Bank, Moundridge	1701 South Kansas Avenue (inside WalMart), Newton	2-28-05
The Citizens State Bank, Moundridge	200 West Cedar (inside Showalter Villa), Hesston	3-17-05
Hillcrest Bank, Overland Park	11150 Greenwood Street (inside Greenwood Terrace), Overland Park	4-4-05
Legacy Bank, Colwich	3711 North Ridge Road, Wichita	4-18-05
VisonBank, Topeka	Bank-Owned Courier	5-2-05
Peoples Bank, Lawrence	121 East Main Street, Red River, New Mexico	5-9-05
Union State Bank, Olsburg	201 Front Street, Randolph	7-8-05
United Bank & Trust, Marysville	1800 Claflin Road, Manhattan	8-15-05
Peoples Bank and Trust Company, McPherson	601 East 30 th Street, Hutchinson	9-6-05
First Community Bank, Kansas City	10950 Parallel Parkway, Kansas City	10-3-05
The Citizens State Bank, Moundridge	86 22 nd Avenue (inside Memorial Home), Moundridge	12-6-05
Hillcrest Bank, Overland Park	820 North Britain (inside 12 Oaks), Irving, Texas	12-6-05
Hillcrest Bank, Overland Park	6500 North Cosby (inside Wexford Place), Kansas City, Missouri	12-8-05
Brotherhood Bank & Trust, Kansas City	17900 West 119 th , Olathe	12-9-05
Capital City Bank, Topeka	740 New Hampshire Street, Lawrence,	12-14-05

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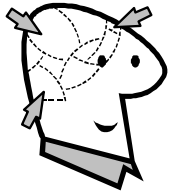
Corporate Application Overview for 2005

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Hillcrest Bank, Overland Park	1098 NE Independence Avenue (inside The Carlyle), Lee's Summit, Missouri	12-19-05
First Bank Kansas, Salina	326 NE 14 th , Abilene	12-28-05
SolutionsBank, Overland Park*	127 West 10 th , Kansas City, Missouri	12-30-05
New Branch (through bank merger or P&A of an existing office)	Branch Office Location	Date Opened
VisionBank, Topeka, acquired two branch offices of Western National Bank, Lenexa	712 South Kansas Avenue, Topeka 2915 SW 29 th Street, Topeka	5-2-05
Emprise Bank, Wichita, acquired Emprise Bank, Hillsboro	104 East Grand, Hillsboro	5-16-05
Emprise Bank, Wichita, acquired Emprise Bank, Iola	1 West Madison, Iola	5-16-05
Midwest Trust Company, Overland Park, acquired EBK Trust Company, Overland Park	5901 College Boulevard, Overland Park	5-31-05
DeSoto State Bank, DeSoto, acquired Great American Bank, Claycomo, Missouri	445 East US Highway 69, Claycomo, Missouri	10-25-05
Centera Bank, Sublette, acquired The Peoples Bank, Minneola	113 Main Street, Minneola	11-18-05
Hillcrest Bank, Overland Park, acquired First State Bank, Dallas, Texas	3305 Dilido Road (inside 12 Oaks), Dallas, Texas	12-6-05
Name Change	New Name	Effective Date
First Bank of Medicine Lodge, Overland Park	SolutionsBank	6-23-05
The Citizens State Bank, Geneseo	Bank VI	9-9-05
Frontier Bank, Haddam	Signature Bank KC	9-16-05
DeSoto State Bank, DeSoto	Great American Bank	10-25-05
Main Office Relocations	New Location	Date Opened
First Bank of Medicine Lodge, Medicine Lodge	7401 West 135 th Street, Overland Park	5-2-05
The Citizens State Bank, Geneseo	2020 South Ohio, Salina	12-12-05
Branch Office Relocations	Old and New Location	Date Opened
Hillcrest Bank, Overland Park	5201 West 143 rd Street (inside Grace Gardens) Leawood, 5419 West 145 th Street (inside Grace Gardens) Leawood	8-21-05
Security Bank of Kansas City, Kansas City	10950 Parallel Parkway, Kansas City, 10840 Parallel Parkway, Kansas City	6-20-05
Contracting Trustee	Service and Location	Effective Date
GTrust Co., Topeka	Trust Service Desk at First National Bank and Trust Company, Larned	2-1-05
Trust Company of Kansas, Wichita	Trust Service Desk at Union State Bank, Arkansas City	3-21-05

* In order to establish the branch office, SolutionsBank first acquired Citizens Home Bank, Greenfield, Missouri. After opening the branch office, assets and liabilities of the Greenfield bank were sold to Sun Security Bank, Ellington, Missouri.

Barrister's Brain



As a regular feature in *Quarterly Interest*, our advice columnist, Barry Barrister, will answer a legal question the OSBC has received that we think would be of interest to bankers. Even though he's a fictional lawyer (arguably the best kind), Barry has insisted we include the caveat that the advice he dispenses is general in nature, and is not intended as a substitute for obtaining specific legal advice from counsel when necessary.

Dear Barry:

A local mortgage company is sending our bank customers written solicitations asking that they refinance their mortgage with the company. The company is listing our original mortgage amount in the mailing, but they are not referencing our bank by name. Our customers are calling us and asking why we are giving out their mortgage information to others. Obviously, we are not giving out the information; the companies are getting it from another source, likely public records. Is there anything we can do to stop this practice?

- Bothered Banker Bob

Dear Banker Bob:

There is a relatively new provision in Kansas law that may be helpful. K.S.A. 2005 Supp. 81-301 was enacted to prohibit unauthorized use of a lender's name, trade name or trademark. However, another provision in that law goes even further and provides:

"No person may include a loan number, loan amount or other specific loan information that is publicly available in a solicitation for the purchase of products or services and allowed in K.S.A. 45-230, and amendments thereto, unless the solicitation clearly and conspicuously states in bold-faced type on the front page of the correspondence that the person is not sponsored by or affiliated with the lender and that the solicitation is not authorized by the lender, which shall be identified by name. The statement shall include the name, address and telephone number of the person making the solicitation and that any loan information referenced was not provided by the lender."

For any violation of the new law, the lender that is the victim may seek an injunction in court. Damages need not be proven; the law says they are presumed. And, provided that you prevail in the action, you are entitled to recover costs associated with the action and reasonable attorney's fees.

Once you review the solicitation carefully with your own legal counsel to ensure that a violation has occurred, you can decide how to use this new law to protect your institution.

Lawfully yours,
Barry

Quarterly Interest is published by:
The Office of the State Bank Commissioner
700 SW Jackson, Suite 300
Topeka, Kansas 66603-3796
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New Banking Board Members

Three new members were appointed to the State Banking Board on October 18, 2005. They will join existing board members Andy Bias, James O'Sullivan, Mark C. Parman, R.D. Rucker, Jane Schnellbacher and Joseph A. Smith.



Michael Downing, who will represent the 1st District, is President of the Ellis State Bank, Ellis, Kansas. He attended Fort Hays State University and received a Bachelor of Science (emphasis in Finance) Degree. Mr. Downing is a former financial examiner for the Office of the State Bank Commissioner and has been instrumental in promoting growth and economic development in the Ellis community as the General Contractor for the Ellis Industrial Corporation.

Melvin Minor, who represents the public, is from Stafford, Kansas. A former American Government, Economics and American history teacher and Kansas State Representative, Mr. Minor earned a Degree from Kansas State Teachers College (now Emporia State University). He currently has a farming operation and serves on the Kansas Geological Survey Advisory Council.



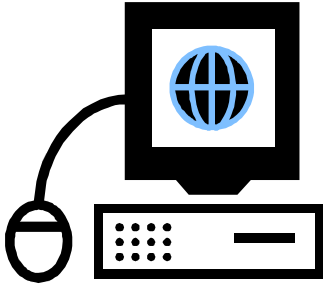
Wint Winter, Jr., joined the Board as the State-at-Large representative. Mr. Winter is a fifth generation resident of Douglas County and serves as the President and CEO of Peoples Bank, Lawrence, Kansas. He graduated from the University of Kansas School of Law and is the managing partner of Stevens & Brand, L.L.P., as well as a former Kansas State Senator.

Board members are appointed for a three-year term. Mr. Downing, Mr. Minor and Mr. Winter will serve until March, 2008.

Congratulations to....

Jill Druse, Dodge City Office

Jill Druse, a Financial Examiner Senior in the Dodge City office, has been awarded the Samuel E. Weinrott Memorial Scholarship. Each year, the Education Foundation of State Bank Supervisors (EFSBS) conducts a competition to award scholarships to three state banking personnel for attendance at the graduate school of banking or graduate trust school of their choice. This scholarship, granted by the EFSBS and the Conference of State Bank Supervisors (CSBS), covers the actual annual costs (up to \$3,000) of the school and is renewable for up to three consecutive years. Jill will attend the July 16 - 28, 2006 session of the Graduate School of Banking in Boulder, Colorado. Way to go, Jill!!!



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