

Approved

*Clyde Graeber* 2/10/87  
Date

MINUTES OF THE HOUSE COMMITTEE ON COMMERCIAL AND FINANCIAL ORGANIZATIONS

The meeting was called to order by Clyde Graeber at  
Chairperson

3:30 ~~XXX~~/p.m. on February 5, 1987 in room 527-S of the Capitol.

All members were present except: Clifford Campbell, Absent; Dorothy Flottman, Absent; Lee Hamm, Absent; Norman Justice, Absent; Susan Roenbaugh, Absent; Jim Russell, Absent; and Lawrence Wilbert, Absent.

Committee staff present: Bill Wolff, Research Department  
Myrta Anderson, Research Department  
Bruce Kinzie, Revisor of Statutes  
June Evans, committee secretary

Conferees appearing before the committee: Jim Holt, Legislative Consultant, Kansas Credit Union League

Chairman Clyde Graeber opened the meeting.

Jim Holt, Legislative Consultant, Kansas Credit Union League, requested a committee bill amending K. S. A. 17-2204a and 17-2229 and K.S.A. 1986 Supp. 17-2204, 17-2212 and 17-2245 and repealing the existing sections. Representative Ivan Sand moved and Representative Bob Ott seconded this be introduced as a committee bill. (Attachment I).

Representative Kenneth Green moved that proposed amendment by Representative Ken Francisco be added to House Bill 2093. It was seconded by Representative J. C. Long. (Attachment II).

Representative Ott moved and Representative Francisco seconded that the committee recommend House Bill 2093 favorably as amended.

Representative Green moved and Representative Long seconded the motion that the minutes for the February 3, 1987, meeting be approved. The motion carried.

The meeting adjourned at 4:05 P.M.

The next meeting will be Tuesday, February 10, 1987.



REQUEST FOR  
INTRODUCTION OF LEGISLATION

BY

THE KANSAS HOUSE COMMITTEE  
ON  
COMMERCIAL AND FINANCIAL INSTITUTIONS

AT THE REQUEST OF  
THE KANSAS CREDIT UNION LEAGUE

February 4, 1987

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MR. CHAIRMAN, MEMBERS OF THE COMMITTEE.

BACKGROUND: For the past year credit unions have had a surplus of funds to invest. The reasons are numerous but most easily understood when you realize that the majority of credit union funds are invested in member loans. When members are financing automobiles (one of the major sources of member loans) at 3.9% it is hard to convince them that they can actually do better borrowing from the credit union at a higher rate. At the same time, credit union savers do not want their return on savings to diminish. All this means that credit unions have to look to other sources to maintain the highest possible return on savings.

While the investment opportunities for credit unions have generally been good during the years when loan demand was high, greater flexibility is needed when this demand wanes. The request in front of the committee basically increases these opportunities so that they are generally equivalent to those now available to federally chartered credit unions.

SECTION BY SECTION EXPLANATION: Section 1, subsection (2). Clarifies the authority of the credit committee to authorize loans to be made by a loan officer.

Subsection (3). Requires establishment of written investment policies by the board; allows investment in out-of-state as well as in-state savings and loan accounts, in any security the principal and interest of which is fully guaranteed by the federal government, invest in state or local obligations with limitations, and adds the limitation to investments in "insured" banks.

Subsection (6). Authorizes limited investments in other credit unions.

Subsection (14). Authorizes credit unions to purchase packages of loans, on a limited basis, made to individual borrowers by other financial institutions subject to written policies established by their board and guidelines issued by the administrator.

Section 2, Subsection (a). Requires written investment policies to be established by credit union boards and standardization of the base on which limitations are calculated.

Subsection (b). Same as (a).

Subsection (c). Allows the administrator to approve addition investments in which credit unions may invest and prescribe limitations for these investments.

Subsection (d). Prohibits credit unions from investing in speculative type securities.

Section 3, subsection (a). Converts the limitation for participation loans from preapproved forms to 10% retention of any participation sold.

subsection (b). Allows credit unions to join as partners with the National Cooperative Bank in making participation loans.

Unless there are questions, Mr. Chairman, we will conclude our presentation by respectfully requesting that this committee introduce a bill incorporating the changes we are suggesting in the attached document.

BILL NO \_\_\_\_\_

AN ACT relating to credit unions; concerning certain powers and authorities; amending K.S.A. 17-2204a and 17-2229 and K.S.A. 1986 Supp. 17-2204, 17-2212 and 17-2245 and repealing the existing sections.

Be it enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. 1986 Supp. 17-2204 is hereby amended to read as follows: 17-2204. A credit union shall have the following powers:

(1) It may receive the savings of its members in payment for shares, make contracts, sue and be sued, and provide negotiable checks, money orders, travelers checks, and other money type instruments or transfer methods, safe deposit boxes or similar safekeeping facilities to its members.

(2) It may make loans to members through the credit committee ~~and on deposit or~~ authorized loan officer in the way and manner ~~hereinafter~~ provided in K.S.A. 1986 Supp. 17-2201 et seq.

(3) It may invest, through its board of directors and under written investment policies established by the board,

(a) in all types of shares and accounts of a central credit union, located in the State of Kansas and under the supervision of the administrator,

(b) in shares or accounts of any savings and loan association ~~having its principal office located in the state of Kansas~~ or mutual savings bank the accounts of which are insured by an insurer approved by the state in which it operates for guaranteeing the shares or accounts of such institutions.

(c) in the bonds or other obligations of the United States of America, or securities fully guaranteed as to principal and interest thereby, or of any state or any municipality, the bonds of which municipality are legal investments for savings banks in Kansas.

(d) in obligations of, or issued by, any State or political subdivision thereof (including any agency, corporation, or instrumentality of a State or political subdivision), except that no credit union may invest more than 10% of its shares, undivided earnings and reserves in the obligations of any one issuer (exclusive of general obligations of the issuer),

(e) It may deposit its funds in savings banks, state banks, trust companies and national banks the accounts of which are insured by an insurer approved by the state in which it operates for guaranteeing the shares or accounts of such institutions.

(f) Unless the administrator authorizes otherwise, the funds of the credit union shall be used first for loans to members and preference shall be given to the smaller loans in the event the available funds do not permit all loans which have been approved by a loan officer or have passed the credit committee to be made.

(4) Credit unions may enter into agreements with financial institutions or organizations for the extension of credit or debit services.

(5) It may do all things necessary to obtain, continue, pay for and terminate insurance of its shares and share certificates with the national credit union share insurance fund or its successor or successors or with an insurer approved by the state

commissioner of insurance or guarantee corporation approved by the administrator under the provisions of this act for such purpose.

(6) It may receive from its members or other insured credit unions payments on shares and share certificates and may invest its funds in shares, share certificates or other accounts of insured credit unions. Except for investments in central credit unions, such investments may not exceed 25% of the investing credit unions shares, undivided earnings and reserves.

(7) A central credit union, located in the state of Kansas and under the supervision of the administrator, in which all credit unions in the state of Kansas are eligible for membership and as defined by subsection (e) of K.S.A. 17-2231, and amendments thereto, may buy and sell investment securities, as defined by the administrator, but the total amount of such investment securities of any one obligor or maker held by such credit union shall at no time exceed 15% of the shares, undivided earnings and reserves of the credit union except that this limit shall not apply to obligations of the United States government or any agency thereof.

(8) Credit unions may enter into agreements with a central credit union, located in the state of Kansas and under the supervision of the administrator, in which all credit unions in the state of Kansas are eligible for membership and as defined by subsection (e) of K.S.A. 17-2231, and amendments thereto, to discount or sell to such central credit union interim student loans made pursuant to federally insured student loan programs under public law 89-329, title IV part (b) of the higher education act of 1965 as amended.



(9) A credit union may discount or sell to such central credit union or any financial institution or organization any real estate loan made by the credit union.

(10) Credit unions may enter into agreements with a central credit union, located in the state of Kansas and under the supervision of the administrator, in which all credit unions in the state of Kansas are eligible for membership and as defined by subsection (e) of K.S.A. 17-2231, and amendments thereto, to discount or sell to such central credit union any obligation of the United States government or any agency thereof, or of any state, municipality or any agency thereof, if the obligation at the time of purchase was a legal investment for credit unions.

(11) It may provide that shares and share certificates may be withdrawn for payment to the account holder or to third parties, in such manner and in accordance with such procedures as may be established by the board of directors.

(12) Every credit union incorporated pursuant to or operating under the provisions of this act may exercise such powers, including incidental powers, as shall be necessary or requisite to enable it to carry on effectively the purposes and business for which it is incorporated.

(13) A credit union may receive from the national credit union central liquidity facility created by title III of the federal credit union act, 12 U.S.A. 1795, et seq., payments on: (a) Shares which may be issued at varying dividend rates; (b) share certificates which may be issued at varying dividend rates and maturities; and (c) investments in any other accounts of the credit union. A credit union may invest its funds in the capital stock of the national credit union central liquidity facility.

(14) Subject to written guidelines issued by the administrator, a credit union may purchase notes made by individual borrowers to a financial institution at such prices as may be agreed upon by the board of directors of the purchasing credit union. No purchase may be made, however, under authority of this subsection, unless approved in writing by the administrator, if, upon the making of that purchase, the aggregate of the unpaid balances of notes of nonmembers purchased under authority of this subsection would exceed 5% of the shares undivided earnings, and reserves of the credit union.

Section 2. K.S.A. 17-2204a is hereby amended to read as follows: 17-2204a. (a) Notwithstanding any other provision contained in the laws of this state providing for investments by credit unions, such credit unions may invest, through their board of directors and under written investment policies established by the board, in the bonds, debentures, or other similar obligations issued under the authority of and pursuant to the act of congress known as the farm credit act of 1971, as amended: Provided, however, The total amount of such bonds, debentures, or other similar obligations of any one obligor or maker shall at no time exceed fifteen percent (15%) of the ~~capital~~ shares, undivided earnings surplus, and reserves of the credit union.

(b) Credit unions may invest, through their board of directors and under written investment policies established by the board, in capital stock of a credit union services corporation in an amount not to exceed two percent (2%) of their shares, undivided earnings and reserves ~~unimpaired capital~~. "Credit union services corporation" shall mean a corporation organized to

perform only business administration services for two or more credit unions each of which owns a portion of the capital stock of such corporation and at least one of which is subject to supervision by the state credit union administrator.

(c) Subject to written guidelines issued by the administrator, a credit union may invest its funds, through its board of directors and under written investment policies established by the board, in investments securities defined by the administrator. Except for obligations of wholly owned government corporations, or which provide a return of principal and interest which is guaranteed by an agency of the federal government, the total amount of such investment securities of any one obligor or maker held by the credit union shall at no time exceed 15% of the shares, undivided earnings and reserves of the credit union.

(d) Except as provided in subsection (7) of K.S.A. 1986 Supp. 17-2204, a credit union is prohibited from participating directly or indirectly in: (1) the purchase or sale of a standby commitment, (2) a futures contract, (3) in adjusted trading, (4) in a short sale of a security. A credit union's directors, officials, committee members and employees, and immediate family members of such individuals, may not receive pecuniary consideration in connection with the making of an investment or deposit by the credit union.

(e) Nothing contained in this section shall be construed to prohibit any funds of a credit union from being invested as now provided by law.

Section 3. K.S.A. 1986 Supp. 17-2245 is hereby amended to read as follows: 17-2245 (a) A credit union may agree to participate in the risk liability and income of loans to credit union members jointly with other credit unions, credit union organizations, financial institutions or financial organizations. ~~Forms for such agreements and procedures for execution thereof shall be subject to the approval of the administrator.~~ Such participation loans shall be in accordance with written policies of the board of directors. A credit union which originates a loan for which participation agreements are made in accordance with this subsection shall retain an interest of at least 10% of the face amount of the loan.

(b) A credit union may agree to participate in the risk liability and income of loans or guarantees with the National Cooperative Bank established pursuant to the act of congress known as the national consumer cooperative bank act of 1978, and any amendments thereto. Such loans may be made to any eligible borrower under such act of congress and may be made jointly with any financial institution, agency, instrumentality or foundation authorized to do so under such act.

Section 4. K.S.A. 17-2204a and 17-2229 and K.S.A. 1986 Supp. 17-2204, 17-2212 and 17-2245 are hereby repealed.

Section 5. This act shall take effect and be in force from and after its publication in the Kansas Register.

## PROPOSED AMENDMENTS TO H.B. NO. 2093

Section 1. K.S.A. 9-1111d is hereby amended to read as follows: 9-1111d. ~~Provided that any depositor who has lost or has had stolen his or her machine readable instrument shall not be charged by any bank in excess of \$50.00 by reason thereof.~~ The amount of a depositor's liability for an unauthorized transaction or a series of unauthorized transactions by a machine readable instrument shall not exceed \$50, unless the depositor fails to notify the bank within four business days after learning of the loss or theft of the machine readable instrument, then the depositor's liability shall not exceed \$300.

Sec. 2. K.S.A. 17-5569 is hereby amended to read as follows: 17-5569. ~~Provided that any depositor who has lost or has had stolen his or her machine readable instrument shall not be charged by any savings and loan association in excess of \$50.00 by reason thereof.~~ The amount of a depositor's liability for an unauthorized transaction or a series of unauthorized transactions by a machine readable instrument shall not exceed \$50, unless the depositor fails to notify the savings and loan association within four business days after learning of the loss or theft of the machine readable instrument, then the depositor's liability shall not exceed \$300.