

Approved *Clyde D. Graeber* 2/16/88
Date

MINUTES OF THE HOUSE COMMITTEE ON Commercial and Financial Institutions

The meeting was called to order by Clyde D. Graeber at
Chairperson

3:30 ~~am~~/p.m. on February 11, 1988 in room 527-S of the Capitol.

All members were present except: Kenneth King, Tim Shallenburger, Fred Gatlin, Jim Russell, Ivan Sand, Kenneth Green and Bob Ott, Excused.

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

Conferees appearing before the committee: Jerel Wright, Kansas Credit Union League
James R. Turner, President, Kansas League
of Savings Institutions.

Chairman Clyde D. Graeber brought the meeting to order.

Jerel Wright, Kansas Credit Union League, testified that HB 273~~b~~, an Act concerning central credit unions which amends K.S.A. 17-2214, regarding the powers of central credit unions. A central credit union operates as a credit union for credit unions; similar to a banker's bank or the Federal Reserve. Central Credit Unions do not deal with the public; it exists primarily to serve the needs of its members credit union. (See Attachment 1).

There are three changes to K.S.A. 17-2214 as follows: (b) A central credit union may, subject to written policies adopted by its Board of Directors and approved by the Administrator (1) to make loans (2) receive payments on shares, share certificates, or investments in any other account of the central credit union from: (3) invest its funds in the shares, stock or obligation of.

After discussion, the hearing was closed.

James R. Turner, President, Kansas League of Savings Institutions, testified on SB 506 stating this proposal amends one basic change in the existing statute; lines 44-46 which deletes payment on commission. This is a 1943 statute and there is no such restriction to impair the sale of stock of federally-chartered associations and this measure would create parity in this area. This bill was requested by the State Savings and Loan Commissioner (See Attachment 2).

The hearing was closed after discussion by the committee.

The Chairman asked the wishes of the committee on the Bills heard.

Representative Roenbaugh moved and Representative Wilbert seconded that SB 506 be passed out and put on the consent calendar. The motion carried.

The Chairman asked the wishes on SB 496 as K.B.A. requested action as some banks need this approval.

Representative Roenbaugh moved and Representative Eckert seconded that SB 496 be passed out of committee. The motion carried.

The Chairman asked the committee's desires on HB 2737.

Representative Wilbert moved that HB 2737 be moved out of committee favorably. The motion died for lack of a second.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON Commercial and Financial Institutions
room 527-S, Statehouse, at 3:30~~am~~/p.m. on February 11, 1988

The Chairman asked if the committee wished to take action on HB 2736.

Representative J. C. Long moved and Representative Francisco seconded that HB 2736 be moved out favorably. The motion carried.

Representative Hamm moved and Representative Long seconded the approval of the minutes of February 9, 1988.

The meeting adjourned at 4:20 P.M.

TESTIMONY ON H.B. 2736
AN ACT concerning central credit unions

Presented to the
HOUSE COMMITTEE ON COMMERCIAL
INSTITUTIONS AND INSURANCE

February 11, 1988
by the
KANSAS CREDIT UNION LEAGUE

Mr. Chairman, members of the Committee:

I am Jerel Wright, Governmental Affairs Director, for the Kansas Credit Union League (KCUL). Our association represents 98% of the 162 state-chartered and 40 federally-chartered credit unions located in Kansas. KCUL member credit unions serve the personal financial needs of over 500,000 individual credit union members and have over \$1 billion in combined assets. Kansas credit unions range in asset size from \$28,000 to \$108 million and range in size of membership from 61 to 38,000 members.

I appreciate having this opportunity to appear before the Committee to ask for approval of House Bill 2736 which amends K.S.A. 17-2214 regarding the powers of central credit unions.

Central Credit Union

A central credit union is a state-chartered credit union. The purpose is to serve the needs of credit unions. A central credit union's members consist of credit unions rather than individuals. A central credit union operates as a credit union for credit unions and has been likened to a Banker's Bank or the Federal Reserve. Central credit unions do not deal with the public (individuals). The central credit union exists primarily to serve the needs of its member credit union.

Three Changes to K.S.A. 17-2214

The substantive change to the statute is an addition of language which permits central credit unions to form organizations that could provide credit unions with operational and financial services associated with the routine operations of credit unions.

The language reads as follows:

(b) A central credit union may, subject to written policies adopted by its Board of Directors and approved by the Administrator, (1) make loans to;

(2) receive payments on shares, share certificates, or investments in any other account of the central credit union from;

(3) invest its funds in the shares, stock or obligations of;

organizations established to provide operational and financial services associated with the routine operations of credit unions. Provided however, that any investments in the capital stock of or loans to such organizations shall not exceed, in the aggregate, two percent (2%) of such credit union's shares and unimpaired capital.

The actual language is taken from federal law which allows these types of organizations to be formed by federally-chartered credit unions (12-U.S.C. 1757, Federal Credit Union Act).

Under this proposal, the organization is authorized to provide services such as investment advisory services and investment education services to credit unions. Our initiative for the in-

roduction of this legislation is a result of meetings held by the Credit Union National Association. The committee, consisting of credit union representatives, concluded that because of the cooperative nature of credit unions, credit unions should create an organization which can provide these services.

Until mid-1987, many credit unions were able to use the National Credit Union Administration (NCUA), the regulatory agency for all federally-chartered and all federally-insured credit unions, for advice on investing in certain institutions or in certain types of investments. In mid-1987, the NCUA chose to end the service on investment advice since the requests for advice had become overwhelming. Credit unions would like to get similar investment advice services through their own organizations.

The second proposal offered by House Bill 2736 involves the deletion of language from the present statute. In an effort to clean up the law, the following phrase would be deleted: , located in the state of Kansas and under supervision of the Administrator, in which all credit unions in Kansas are eligible for membership,. This portion of K.S.A. 17-2214 defines a central credit union. Since this statute was adopted, the definition of central credit union has been codified under K.S.A. 17-2231(e), which is the definitions section of the Credit Union Act.

Under K.S.A. 17-2231(e), "Central credit union" means a credit union which no individual may purchase more than that one five dollar share and from which no individual may borrow money.

"Individual" as used in this subsection shall mean natural persons only. Our sole purpose in proposing the deletion of the language from K.S.A. 17-2214 is to clean up the statute.

The third change is to propose the codification of the present statute as subsection (a).

The Credit Union Administrator of the Kansas State Department of Credit Unions supports the passage of this legislation. Mr. Chairman, thank you for the opportunity to appear before the Committee.

KLSI Kansas
League of
Savings
Institutions

JAMES R. TURNER, President • Suite 512 • 700 Kansas Ave. • Topeka, KS 66603 • 913/232-8215

February 11, 1988

TO: HOUSE COMMITTEE ON COMMERCIAL AND FINANCIAL INSTITUTIONS
FROM: JIM TURNER, KANSAS LEAGUE OF SAVINGS INSTITUTIONS
RE: S.B. 506 (COMMISSIONS-GUARANTEE STOCK)

The Kansas League of Savings Institutions appreciates the opportunity to appear before the House Committee on Commercial and Financial Institutions in support of S.B. 506 which would allow the payment of commissions in connection with the sale of guarantee stock.

This proposal amends a 1943 statute which restricted the payment of commission in connection with the sale of stock of state-chartered savings and loan associations. There is no such restriction to impair the sale of stock of federally-chartered associations and this measure would create parity in this area. The bill was introduced by KLSI at the request of the State Savings and Loan Commissioner.

Further, we would point out that the bill was amended to become effective upon publication in the Kansas Register. Currently several state-chartered associations have stock sales under consideration and enactment in the Register would avoid the need for a "Special Order."

We would appreciate the committee's earliest action in reporting S.B. 506 favorably for passage.

James R. Turner
President

JRT:bw

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