

Approved 2-12-92
Date

MINUTES OF THE HOUSE COMMITTEE ON FINANCIAL & COMMERCIAL INSTITUTIONS

The meeting was called to order by Representative Delbert L. Gross at
Chairperson

3:30 ~~am~~ p.m. on February 4, 1992 in room 527-S of the Capitol.

All members were present except:

Committee staff present: Bruce Kinzie, Revisor of Statutes
June Evans, Secretary

Conferees appearing before the committee: Wayne Warfel, Credit Union Administrator
Jerel Wright, Director, Governmental
Affairs, Kansas Credit Union

The Chairperson called the meeting to order at 3:30 P.M. and opened the hearing on HB 2726.

Wayne Warfel, Administrator, Kansas State Department of Credit Unions, testified that changes are needed to comply with requests from the Attorney General's office that the Act be brought into compliance with other Acts, specifically the Kansas administrative procedures act and the act for judicial review and civil enforcement of agency actions. HB 2726 revises or deletes statutes that have become outdated or obsolete, and more properly reflects the role the credit union council presently fills, which is that of an advisory body. This bill also provides the Department with conservatorship powers, which allows more latitude in managing the affairs of troubled credit unions. Other changes are either technical or clean-up. (See Attachments 1 and 1A).

Jerel Wright, Director, Governmental Affairs, Kansas Credit Union Association, testified in support of HB 2726 stating the changes proposed in HB 2726 will assure that the department of credit unions can supervise and regulate state-chartered credit unions in a manner consistent with regulation of federally-chartered credit unions in Kansas. (See Attachment 2).

Representative Minor moved and Representative Johnson seconded the minutes of January 30 be approved. The motion carried.

The meeting adjourned at 4:00 P.M. and the next meeting will be February 5, 1992.

Date: 2/4/92

GUEST REGISTER
 HOUSE
 COMMERCIAL & FINANCIAL INSTITUTIONS COMMITTEE

NAME	ORGANIZATION	ADDRESS
Carol Malecki	Credit Union Educational Employees	2808 S.W. Arrowhead Rd.
Terrel Wright	Ks Credit Union Assn	Topeka
J.B. Jewbery	KSDCU	Topeka
Maie Kasson	KSDCU	Topeka
Camille Nohr	Attorney General	Topeka
Wayne Warfel	KSDCU	Topeka
Wing Byham	W.S. Central CU	OPKS
JEFF SONNICH	KNCSI	TOPEKA
Joe Lieber	Ks Co-op Council	Topeka
Que Shelby	Personnel Bureau	Topeka
Bill Caton	Const'r Comm	Topeka
Audie Starn	KBA	"
Ken Baker	4th Financial Corp	"
Jim Mang	KBA	"
Mike Cuthbertson	Kansas Credit Union Assoc.	Wichita

February 4, 1992

Mr. Chairman, Members of the Committee:

I am Wayne Warfel, Administrator of the Kansas State Department of Credit Unions. My agency is responsible for regulating 145 state chartered credit unions in the state of Kansas. My purpose today is to provide you with information about our bill which contains proposed amendments to twenty-six sections of the Kansas Credit Union Act. The proposed amendments are intended to provide for improved regulation of our credit unions.

We are proposing these changes for a variety of reasons -

to comply with requests from the attorney general's office that the act be brought into compliance with other acts, specifically, the Kansas administrative procedures act and the act for judicial review and civil enforcement of agency actions,

to revise or delete statutes that have become outdated or obsolete,

to more properly reflect the role the credit union council presently fills, which is that of an advisory body,

to provide the Department with conservatorship powers, which allows more latitude in managing the affairs of troubled credit unions.

Other more minor changes have been made that are technical or of a "housekeeping" nature.

The changes we are proposing were provided by a committee composed of individuals representing the attorney general's office, the Kansas Credit Union League, which is the state trade association for all Kansas credit unions and, of course, our Department. Our efforts and progress have been communicated from time to time to the Governor's office and the Revisor of Statutes office.

In early December of last year, a draft copy of our proposed changes and an "executive summary" were provided to all state chartered credit unions. We asked credit union officials to review the changes and respond with any comments or concerns they may have. The few responses we received were reviewed by the committee and acted upon.

The changes we are proposing fall into one of four categories according to the principal area affected, namely -

Credit Unions
The Credit Union Council
Corporate Credit Unions
The Kansas State Department of Credit Unions.

These changes are contained in the "Executive Summary" which I have provided to each of you.

I would like to respectfully ask the committee's support for this bill.

CF&I
2-4-92
Atch #1

PROPOSED AMENDMENTS
to the
KANSAS CREDIT UNION ACT

EXECUTIVE SUMMARY
(Revised January 30, 1992)

CF&I
1-30-92
Atch #1A

The Kansas State Department of Credit Unions is proposing a series of amendments to the Kansas Credit Union Act. The proposed amendments are intended to provide credit unions with limited additional flexibility in their operations; to make the Kansas Credit Union Act consistent with other Kansas statutes; to provide the Kansas State Department of Credit Unions with additional powers to enhance its ability to effectively regulate credit unions; and to clarify provisions of the current statute. We have attempted to make as few changes as possible to achieve these objectives.

The proposed changes generally fall into one of four categories. While all of the changes may directly or indirectly affect credit unions, for purposes of this summary, the changes will be classified according to the principal area which is affected. Those areas are:

1. Credit Unions
2. The Credit Union Council
3. Corporate Credit Unions
4. The Kansas State Department of Credit Unions

CREDIT UNION CHANGES

Section 17-2204(8) is proposed to be changed to provide that a credit union can discount and sell interim student loans to anyone.

Section 17-2204(10) is proposed to be changed to permit credit unions to discount or sell U.S. Government, agency or municipal securities to any corporate credit union.

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Section 17-2209(d) is proposed to be added to permit credit unions to have an executive committee of the board of directors. This committee would only have those powers of the board as the bylaws would provide. The committee would be able to exercise the powers of the board when it would be difficult to hold a board meeting. Meetings of the executive committee would not count as one of the required board meetings.

Section 17-2212(a) is proposed to be changed to make clear that credit unions retain their statutory lien on shares which may be held by non-members.

Section 17-2212(c) is proposed to be changed to clearly cover all classes of persons who may have an interest in an account at the credit union.

Section 17-2216 is proposed to be changed by deleting subsection (c). This change is intended to make clear that employees of credit unions must be members to borrow money. In addition, this change will also eliminate the need for credit unions to report on loans to employees unless they are also a director or member of the credit or supervisory committee.

Section 17-2226(a) is proposed to be changed to increase to 5% of the credit union's total shareholdings, reserves and undivided earnings, the amount of real estate which a credit union could purchase or lease for its use.

Section 17-2226(b) is proposed to be changed to increase to 5% of the credit union's total shareholdings, reserves and undivided earnings, the amount of equipment or services that a credit union could purchase, contract for, or lease, subject to an overall combined limit with subsection (a) of 5%.

Section 17-2227 is proposed to be changed to provide that all information acquired by the administrator in an investigation or examination is confidential and may only be disclosed as authorized in the act. The Attorney General and the credit union's bonding company are added to those authorized to receive such information.

Section 17-2230(c) is proposed to be changed to make clear that all shareholders have the same priority in liquidation.

Section 17-2231(f) is proposed to be added to provide a definition for the term "nonprofit association" used in Section 17-2231(c).

Section 17-2232(a) is proposed to be changed to make clear that 5 members of the Credit Union Council must be officers of Kansas state chartered credit unions. In addition, this section would also make clear that only Kansas state chartered credit unions can submit names to the governor for membership on the Credit Union Council.

Section 17-2241 is being changed to conform appeals by credit unions under the Credit Union Act with the requirements of the Act for Judicial Review and Civil Enforcement of Agency Action, K.S.A. 77-601 through 77-627.

CREDIT UNION COUNCIL CHANGES

One of the areas in which we were required to make major changes was in the area of responsibility for the Credit Union Council. These changes were necessary as part of the amendments to conform the administration of the Credit Union Act to the requirements of the Kansas Administrative Procedure Act. The proposed changes retain the Council as an adviser to the Kansas Credit Union Administrator (Section 17-2232(c)). However, the council's other statutory powers have been deleted to reflect required or actual

administrative processes or practices. These changes are found in 17-2232 through 17-2242.

CORPORATE CREDIT UNION CHANGES

The proposed changes in Section 17-2214(a) provide an express statutory statement of corporate credit union powers. In most cases, the powers reflect activities in which corporates currently engage relying upon incidental powers or interpretation of other powers. These changes will better position Kansas corporate credit unions to defend the nature of their activities. In addition, Section 17-2217(c) is proposed to be changed to establish a required statutory reserve for corporate credit unions.

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STATE DEPARTMENT OF CREDIT UNIONS

The proposed changes will affect the Kansas State Department of Credit Unions in three major ways: (1) The Department will be granted conservatorship powers to provide flexibility in managing the affairs of troubled credit unions as may be necessary to protect the members. This proposed change is found in Section 17-2206(h). (2) The Department will be given the ability to establish by regulation the circumstances under which it may step in as conservator before a credit union reaches the point of insolvency. This proposed change is found in Section 17-2206(d); and (3) Section 17-2206(g) of the act will provide that all administrative proceedings under the act will be conducted in accordance with the Kansas Administrative Procedure Act.

CONCLUSION

In addition to the primary changes previously discussed, several other minor changes are being proposed. These changes are primarily conforming changes to one section caused by changes in another section. In addition, other minor changes include deletion of sections no longer needed such as those dealing with uninsured credit unions.

We believe that the proposed changes will improve the Kansas Credit Union Act and provide greater flexibility for and protection of Kansas Credit Unions.

TESTIMONY ON H.B. 2726

AN ACT relating to credit unions

Presented to the

HOUSE COMMERCIAL AND FINANCIAL INSTITUTIONS COMMITTEE

February 3, 1992

by the

KANSAS CREDIT UNION ASSOCIATION

Mr. Chairman, members of the Committee:

I am Jerel Wright, Governmental Affairs Director for the Kansas Credit Union Association. Our association represents 183 of the 185 state-chartered and federally-chartered credit unions located in Kansas.

CREDIT UNIONS SUPPORT THE PASSAGE OF HB 2726

A long standing position of the credit union association is support for the Kansas Department of Credit Unions to maintain an effective state supervisory and regulatory agency. The changes proposed in HB 2726 will assure that the department of credit unions can supervise and regulate state-chartered credit unions in a manner consistent with regulation of federally-chartered credit unions in Kansas.

The Kansas Credit Union Association is comfortable with the current provisions of HB 2726 since credit unions throughout the state have had sufficient time to provide comments and input to the credit union department concerning the proposed changes to Kansas credit union law.

For these reasons, we support HB 2726.

Thank you Mr. Chairman for considering our comments. I will stand for questions at your direction.

CF&F
2-4-92
Atch 2