

Approved: March 7, 1997  
Date

MINUTES OF THE HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS.

The meeting was called to order by Chairperson Les Donovan at 3:30 p.m. on February 11, 1997 in Room 527-S of the Capitol.

All members were present except: Representative Tom Bradley  
Representative Ellen Samuelson  
Representative Dennis Wilson

Committee staff present: Bill Wolff, Legislative Research Department  
Dennis Hodgins, Legislative Research Department  
Bruce Kinzie, Revisor of Statutes  
Maggie Breen, Committee Secretary

Conferees appearing before the committee: John P. Smith, Administrator, Kansas Dept. of Credit Unions  
Sue Schmelzer, Director of Government Affairs, Kansas  
Credit Union Association  
Kay Falley, District Court Administrator, Shawnee County  
Paul Shelby, Office of Judicial Administration

Others attending: See attached list

The Chairman opened hearing on:

**SB 45 - Credit union, quorum for meetings, loans to directors**

Proponents appearing in favor of **SB 45**:

**John P. Smith**, Administrator, Kansas Department of Credit Unions, covered the two changes being made in the bill. The first is that the number required to make up a quorum be specified in the bylaws. The second is to raise the loan amount, made to directors and credit or supervisory committee members, from \$10,000 to \$20,000 before the need of review and approval of the credit union's board of directors is required. He asked for the committee's support of the bill. (Attachment 1).

**Sue Schmelzer**, Director of Governmental Affairs, Kansas Credit Union Association, added the support of the Kansas Credit Union Association. (Attachment 2).

There were no opponents to **SB 45**.

The Chairman closed the hearing on **SB 45** and opened hearing on:

**SB 46 - Foreign credit unions, regulation**

Proponents appearing in favor of **SB 46**:

**John P. Smith**, Administrator, Kansas Department of Credit Unions, explained that the bill would amend the credit union act to allow the administrator to require credit unions, chartered by states other than Kansas that are operating in Kansas, to submit to the administrator an examination report every 18 months. It also provides for a hearing, or an opportunity for a hearing, in the event of a violation, and authority for the administrator to revoke the credit union's authority to do business in Kansas. He asked for the committee's support. (Attachment 3)

**Sue Schmelzer**, Director of Governmental Affairs, Kansas Credit Union Association, added the support of the Kansas Credit Union Association. (Attachment 4).

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS, Room 527-S  
Statehouse, at 3:30 p.m. on February 11, 1997.

There were no opponents to SB46.

The Chairman closed the hearing on SB 46 and opened hearing on:

**SB 88 - Unclaimed contents of safety deposit boxes upon death of lessee**

Proponents appearing in favor of SB 88:

**Kay Falley**, District Court Administrator, Shawnee County, spoke in favor of the bill introduced as a clean up bill. She asked for the support of the bill as amended. (Attachment 5)

**Paul Shelby**, Office of Judicial Administration, stood in favor of the bill. (Attachment 6)

There were no opponents to SB 88.

The Chairman closed the hearing on SB 88.

The meeting adjourned at 3:51 p.m.

The next meeting is scheduled for February 13, 1997.

The minutes for this meeting were distributed to the committee members for review on March 6, 1997, with the understanding that minutes would be considered approved if no additions, deletions, or corrections were received by 5:00 p.m. on March 7, 1997. None were received.





# Kansas Department of Credit Unions

400 Kansas Avenue, Suite B  
Topeka, KS 66603  
Phone (913) 296-3021  
FAX (913) 296-6830

e-mail [kdcu1@sprynet.com](mailto:kdcu1@sprynet.com)

## Senate Bill No. 45

February 11, 1997

Mr. Chairman and Members of the House Committee:

I am John P. Smith, Administrator of the Kansas Department of Credit Unions and I urge you to recommend S.B. 45 for passage by the Kansas House of Representatives.

Over the past several years our department has received suggestions for improving the credit union statutes. The two changes in Senate Bill 45 do so. It is the position of the Kansas Department of Credit Union's Administrator that S.B. 45 is good public policy designed to serve and safeguard the interests of Kansas credit unions and their member owners. Both changes in credit union law made by this bill were suggested by Kansas chartered credit unions.

With regard to specific language of the bill, a brief comment about each of the changes and their effects are included for your information.

**Section 1**, (page 1 line 19 through 21) inserts a sentence requiring that the number of members constituting a quorum for any meeting shall be as specified in the bylaws. Since the Kansas Credit Union Act, K.S.A. 17-2201 *et seq.*, is currently silent regarding a quorum requirement for credit unions, potentially K.S.A. 17-6001(c) coupled with K.S.A. 17-6506 (within the corporation code) could require credit unions to establish no less than one-third of its members as the quorum necessary to conduct business. The amendatory language would clarify the authority of a credit union to establish within its bylaws "the number of members constituting a quorum for any meeting." and thus allow a credit union to establish a percentage of more or less than one third of its members as its quorum. Since K.S.A. 17-2201(c) requires the initial organizers of a credit union to obtain a certificate of approval of bylaws from the administrator and 17-2202(b) requires approval of all amendments to a credit union's bylaws by the administrator before becoming operative, the administrator will retain approval of quorum requirements through approval of the credit union's bylaws. Submitted with our testimony is a letter from the Attorney General indicating that the proposed revision contained in Senate Bill No. 45 would eliminate the potential applicability of the Kansas corporation code's one-third quorum requirement and reflect the past practice of Kansas credit unions. Generally the quorum requirement for Kansas credit unions' annual membership meetings is a number less than one-third.

*House Financial Institutions*  
2-11-97  
*Attachment 1*

## Senate Bill No. 45

February 11, 1997

Page 2

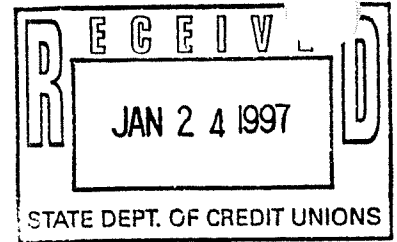
---

**Section 2** (page 1, line 39) increases the aggregate of loans that a credit union may loan to its directors, credit committee members and supervisory committee members or other members for which the director or committee member acts as guarantor or endorser who are not employees from \$10,000 to \$20,000 before approval by the board of directors is required. Since the last change of this statute in 1992, inflation has occurred with many consumer purchases exceeding the \$10,000 threshold, thus requiring an increase in this amount.

This is also an issue of parity with the Federal Credit Union Act which was amended in September, 1996 to increase the amount from \$10,000 to \$20,000 for federal credit unions.

The Committee should also be aware that all such loans are reported to the administrator semiannually (K.S.A. 17-2216a).

I urge you to recommend S.B. 45 for passage by the Kansas House of Representatives.



State of Kansas  
Office of the Attorney General

301 S.W. 10TH AVENUE, TOPEKA 66612-1597

CARLA J. STOVALL  
ATTORNEY GENERAL

January 24, 1997

MAIN PHONE: (913) 296-2215  
CONSUMER PROTECTION: 296-3751  
FAX: 296-6296

John P. Smith, Administrator  
Kansas Department of Credit Unions  
400 Kansas Avenue, Suite B  
Topeka, Kansas 66603

Re: 1997 S.B. 45

Dear Mr. Smith:

You indicate that 1997 S.B. 45, §1 (which would amend K.S.A. 17-2207) is designed to address the issue of state-chartered credit unions potentially being subject to the quorum requirement established within the Kansas corporation code. Since the Kansas Credit Unions Act, K.S.A. 17-2201 *et seq.*, is currently silent regarding a quorum requirement for credit unions, potentially K.S.A. 17-6001(c) coupled with K.S.A. 17-6506 (within the corporation code) could require credit unions to establish no less than one-third of its members as the quorum necessary to conduct business. The amendatory language within 1997 S.B. 45, §1 would clarify the authority of a credit union to establish in its bylaws "the number of members constituting a quorum for any meeting." and thus allow a credit union to establish a percentage of more or less than one third of its members as its quorum.

You indicate that a quorum requirement of one-third of the members is not consistent with generally accepted bylaw provisions for Kansas state credit unions, typically a minimum of twelve members. It thus appears that the revision contained in 1997 S.B. 45, §1 would eliminate the potential applicability of the Kansas corporation code's one-third quorum requirement and reflect past practice of Kansas state credit unions.

Very truly yours,

OFFICE OF THE ATTORNEY GENERAL  
CARLA J. STOVALL

Camille Nohe  
Assistant Attorney General

CN:cn



KANSAS CREDIT UNION ASSOCIATION

**Testimony on SB 45**

**An ACT relating to credit unions;  
determining a quorum for meetings;  
concerning loans to directors**

**Presented to the  
House Committee on Financial Institutions  
February 11, 1997**

**Mr. Chairman and Members of the Committee:**

I am Sue Schmelzer, Director of Governmental Affairs for the Kansas Credit Union Association. Our association represents 154 credit unions here in Kansas including 120 state-chartered credit unions and 34 federally-chartered credit unions. KCUA member credit unions serve the personal financial needs of over 600,000 credit union members.

I am here today in support of Senate Bill 45.

Senate Bill 45 address two issues. First, the bill would amend K.S.A. 17-2207 which deals with a credit union's fiscal year; meetings, proxies; and absentee or mail ballots. Specifically, the bill addresses the number of credit union members needed at any meeting to constitute a quorum.

Currently, the statutes are silent on this issue resulting in a quorum being defined by corporate law. Presently corporate law specifies a required 1/3 of membership present or by proxy to have a qualified quorum. The corporate law quorum requirements would place undue financial burden upon a credit union. We believe credit unions, through their bylaws, should determine the number of members that constitutes a quorum needed to conduct business at meetings of the general membership.

The second part of Senate Bill 45 would amend K.S.A. 17-2216a dealing with loans to directors and credit or supervisory committee members and the conditions under which such loans can be made.

Approval of the full board is required anytime the aggregate loans outstanding to an individual credit union official exceeds their savings by \$10,000. Given today's

*House Financial Institutions  
2-11-97  
Attachment 2*

8410 W. Kellogg  
Wichita, Kansas  
67209-1896  
1-800-362-2076  
Tel 316-722-4251  
Fax 316-729-0857

Kansas City Office  
8900 State Line Rd.  
Suite 200  
Leawood, Kansas  
66206-1936  
Tel 913-385-6230  
Fax 913-385-6299

Topeka Office  
816 SW Tyler  
Topeka, Kansas  
66612-1635  
Tel 913-232-2446  
Fax 913-232-2730

Dodge City Office  
Post Office Box 757  
Dodge City, Kansas  
67801-0757  
Tel 316-225-2125  
Fax 316-225-3577



KANSAS CREDIT UNION ASSOCIATION

**economic environment, we support raising the ceiling to \$20,000 before the need for review and approval by the credit union's board of directors. In the case of a new car loan, the average new car price is over \$18,000. Under the current statute, the credit union is required to incur extra expense and effort and delayed service to the official for a routine loan transaction.**

**In addition, this change would provide state-chartered credit unions parity with their federally- chartered counterparts.**

**Mr. Chairman, thank you for the opportunity to testify on this bill.**

8410 W. Kellogg  
Wichita, Kansas  
67209-1896  
1-800-362-2076  
Tel 316-722-4251  
Fax 316-729-0857

Kansas City Office  
8900 State Line Rd.  
Suite 200  
Leawood, Kansas  
66206-1936  
Tel 913-385-6230  
Fax 913-385-6299

Topeka Office  
816 SW Tyler  
Topeka, Kansas  
66612-1635  
Tel 913-232-2446  
Fax 913-232-2730

Dodge City Office  
Post Office Box 757  
Dodge City, Kansas  
67801-0757  
Tel 316-225-2125  
Fax 316-225-3577





# Kansas Department of Credit Unions

400 Kansas Avenue, Suite B  
Topeka, KS 66603  
Phone (913) 296-3021  
FAX (913) 296-6830  
e-mail kdcu1@sprynet.com

## Senate Bill No. 46

February 11, 1997

Mr. Chairman and Members of the House Committee:

I am John P. Smith, Administrator of the Kansas Department of Credit Unions and I urge you to recommend S.B. 46 for passage by the Kansas House of Representatives.

Credit unions chartered by other states may operate within Kansas if they have received approval of the Kansas credit union administrator. It is the position of the Kansas Department of Credit Unions that Kansas citizens who join credit unions chartered by states other than Kansas that are operating within Kansas, should be afforded similar measures of safety and soundness as are those who join Kansas-chartered credit unions. Senate Bill 46 would amend the credit union act to allow the administrator to require these credit unions to submit to the administrator an examination report at least every 18 months. The amendment also provides for a hearing or an opportunity for a hearing in the event of a violation and authority for the administrator to revoke the credit union's authority to do business in Kansas.

The practice of the current administrator is to require an examination report for all credit unions chartered by other states prior to permitting them to do business in Kansas and at each examination cycle, which usually occurs within 12 to 18 months for most states. The amendment places this authority to require examination reports in the statute.

With regard to specific language of the bill, a brief comment about the changes and their effects are included for your information.

**Section 1**, (lines 18 through 23) adds language providing authority for the administrator to require credit unions chartered by other states to submit at least every 18 months an examination report made by or under the authority of the national credit union administration or its successor or successors or by any such other appropriate federal or state agency or by an independent auditor or certified public account. The examination requirement is similar to K.S.A. 17-2206(b) which specifies the examination requirements for Kansas chartered credit unions.

*House Financial Institutions*  
*2-11-97*  
*Attachment 3*

**Senate Bill No. 46**

February 11, 1997

Page 2

---

**Section 1**, (lines 24 through 28) provides for a hearing or an opportunity for a hearing if the administrator determines that the credit union has violated any provision of the Kansas credit union act and authority for the administrator to revoke the credit union's authority to do business in Kansas.

I urge you to recommend S.B. 46 for passage by the Kansas House of Representatives.



KANSAS CREDIT UNION ASSOCIATION

Testimony on SB 46

AN ACT relating to credit unions;  
concerning foreign credit unions

Presented to the  
House Committee on Financial Institutions  
February 11, 1997

Mr. Chairman and Members of the Committee:

I am Sue Schmelzer, Director of Governmental Affairs for the Kansas Credit Union Association. I am here today in support of Senate Bill 46 which would amend K.S.A. 17-2223a which only requires foreign credit unions to solicit and receive approval of the state credit union administrator before doing business in Kansas.

8410 W. Kellogg  
Wichita, Kansas  
67209-1896  
1-800-362-2076  
Tel 316-722-4251  
Fax 316-729-0857

The KCUA and Kansas credit unions support this amendment. While the current statute requires that a foreign credit union receive the administrator's approval to do business in Kansas, the proposed amendment would further specify that the administrator has authority to request and review examination reports filed by the foreign credit union and that these reports must meet the standards established by the administrator. It also authorizes the administrator to revoke such credit union's authority to do business in Kansas if the administrator determines that such credit union has violated any provisions of the act.

Kansas City Office  
8900 State Line Rd.  
Suite 200  
Leawood, Kansas  
66206-1936  
Tel 913-385-6230  
Fax 913-385-6299

We support the administrator's ability to ensure that foreign credit unions operating in Kansas are strong and viable financial institutions and do not pose any potential detriment to the overall image or health of the Kansas credit union movement or the State of Kansas.

Topeka Office  
816 SW Tyler  
Topeka, Kansas  
66612-1635  
Tel 913-232-2446  
Fax 913-232-2730

Mr. Chairman, thank you for the opportunity to testify on this bill.

Dodge City Office  
Post Office Box 757  
Dodge City, Kansas  
67801-0757  
Tel 316-225-2125  
Fax 316-225-3577

*House Financial Institutions*  
*2-11-97*  
*Attachment 4*

**SENATE BILL NO. 88**

**House Financial Institutions Committee**

**February 11, 1997**

Testimony of Kay Falley, Shawnee County Court Administrator  
for the Kansas Association of District Court Clerks & Administrators

Mr. Chairman and Members of the Committee:

This bill is being introduced by the Kansas Association of District Court Clerks and Administrators as a clean up bill. Currently, there are two statutes dealing with unclaimed contents of safety deposit boxes.

K.S.A. 9-1504 was last amended in 1977. It states if no person claims the contents of a safety deposit box within 60 days after the death, the contents may be removed and delivered to the district court.

K.S.A. 58-3949 and 58-3950, established in 1994, deal with unclaimed property in a safety deposit box that has been abandoned and require that property be turned over to the State Treasurer after the notice procedures for unclaimed property are followed.

The Clerks of District Courts have reported to our Legislative Committee that they have not had any property from safe deposit boxes turned over to them under K.S.A. 9-1504. The Unclaimed Property Division of the State Treasurer's office considers K.S.A. 58-3949 and 58-3950 to be current law and that is what they follow. They do not recall ever receiving contents of safe deposit boxes from the courts, only from banks. They are also supporting this bill along with the bankers' association. We are asking for your support of this bill as amended.

Thank you for allowing me the opportunity to speak to the committee on behalf of the District Court Clerks and Administrators in Kansas. If you have any questions, I would be happy to answer them.

*House Financial Institutions*  
*2-11-97*  
*Attachment 5*



STATE OF KANSAS

900 SW JACKSON, SUITE 201  
TOPEKA, KANSAS 66612-1235

**Sally Thompson**  
TREASURER

TELEPHONE  
(913) 296-3171

January 27, 1996

Hon. Don Steffes  
Chairman,  
Financial Institutions & Insurance Committee

Mr. Chairman and members of the committee:

The State Treasurer's Office would like to issue its support for S.B. 88.

We discussed this issue with the District Court Clerks and reviewed the matter with the Unclaimed Property staff. The State Treasurer's office considers this legislation to be an effective reform of the existing unclaimed property laws.

If you or any other committee members have questions regarding this issue, please contact our office. Thank you for your consideration.

Sally Thompson  
State Treasurer

**Senate Bill No. 88**  
House Financial Institutions Committee  
February 11, 1997

Testimony of Paul Shelby  
Assistant Judicial Administrator  
Office of Judicial Administration

Mr. Chairman and members of the committee:

I appreciate the opportunity to appear today in support of Senate Bill No. 88, which relates to unclaimed contents of safety deposit boxes.

This bill was introduced by the Kansas Association of District Court Clerks and Administrators as a clean up bill and passed the Senate 39-0.

The bill amends K.S.A. 1996 Supp. 9-1504 to delete from the law a provision that the contents of a safety deposit box opened after 60 days of the death of the lessee be removed from the box and delivered to the district court. The Clerks' of the District Court report that there has been no property turned over to them and requested that the language be deleted.

K.S.A. 58-3949 and 58-3950, established in 1994, deal with unclaimed property in a safe deposit box that has been abandoned and requires that the property be turned over to the State Treasurer after the notice procedures for unclaimed property are followed. These are the statutes that are currently being followed.

The Senate Committee amended the bill, on the urging of the Kansas Bankers Association, to read; "In the event no person claims to be interested in the contents of such box within 60 days after the death of the lessee, the lessor may open the box by forcible entry and remove all instruments of a testamentary nature and deposit the same with the district court, subject to payment of rentals, expenses and repairs". We have no problem with that amendment.

I urge your favorable support of the bill.

*House Financial Institutions*  
2-11-97  
Attachment 6