

Approved: February 18, 2008

Date

MINUTES OF THE HOUSE INSURANCE AND FINANCIAL INSTITUTIONS COMMITTEE

The meeting was called to order by Vice Chairman Anthony Brown at 3:30 P.M. on February 12, 2008 in Room 527-S of the Capitol.

All members were present except:

Representative Clark Shultz- excused  
Representative Jeff Colyer- excused  
Representative Brenda Landwehr- excused  
Representative Virgil Peck- excused

Committee staff present:

Melissa Calderwood, Kansas Legislative Research Department  
Terri Weber, Kansas Legislative Research Department  
Bruce Kinzie, Revisor of Statutes Office  
Ken Wilke, Revisor of Statutes Office

Conferees appearing before the committee:

John P. Smith, Kansas Department of Credit Unions

Others attending:

See attached list.

Hearing on:

**HB 2677**      **Credit union administrator, qualifications of**

Melissa Calderwood, Legislative Research Department, provided a brief overview on **HB 2677**.

Proponent:

John P. Smith, Kansas Department of Credit Unions, (Attachment #1), presented testimony before the committee in support of **HB 2677**.

Hearing was closed on **HB 2677**.

Hearing on:

**HB 2678**      **Credit union personnel, limitations on**

Melissa Calderwood, Legislative Research Department provided a brief overview on **HB 2678**.

Proponent:

John P. Smith, Kansas Department of Credit Unions, (Attachment #2), gave testimony before the committee in support of **HB 2678**.

Hearing was closed on **HB 2678**.

Next meeting will be Wednesday, February 13, 2008, 3:30 PM, in Room 527-S.

Meeting adjourned.



**Written testimony for the  
House Insurance and Financial Institutions  
Committee**

**House Bill 2677**

**February 12, 2008**

**John P. Smith  
Administrator  
Kansas Department of Credit Unions**

House Bill 2677 is an amendment to K.S.A. 17-2233; qualifications for individuals for appointment as administrator of the Kansas Department of Credit Unions are listed within this section of credit union law. The amendment would expand qualifications required for service as the credit union administrator from "...at least three years actual, practical experience in the operation and management of a credit union" to "...at least three years actual, practical experience in the operation and management of a credit union *or have served for the same period of time in an agency having charge of the regulation of credit union operation in this state or some other state of the United States or in the National Credit Union Administration.*"

Regulatory experience is a valuable addition to qualify individuals for service as credit union administrator. Credit unions have become more complex in their management, compliance requirements with state and federal regulations, loan products and services offered, and their asset liability management. Kansas statutes require credit unions to maintain federal share (deposit) insurance; the administrator must be knowledgeable with share insurance rules and regulations of the National Credit Union Administration. Broadening experience requirements would expand the pool of eligible individuals to include those with three years credit union regulatory experience in addition to credit union management experience.

The proposed requirement is similar to other states that allow regulatory experience to qualify an individual for appointment as head of the credit union regulatory agency.

**Written testimony for the  
House Insurance and Financial Institutions  
Committee**

**House Bill 2678**

**February 12, 2008**

**John P. Smith  
Administrator  
Kansas Department of Credit Unions**

House Bill 2678 is an amendment to K.S.A. 17-2242; this section of credit union law provides authority for the administrator to take action when the board of directors, supervisory or credit committees of any credit union has been dishonest, reckless or incompetent in the performance of their duties. The amendment to section (a) line 16 adds "...or any employee..." to the list of those who the administrator can recommend to the shareholders for removal from their position. "Employees" is listed in section (a) line 31 but not in the initial listing of individuals or positions. This amendment inserting "...or any employee..." in line 16 will clarify the intent of K.S.A. 17-2242 (a).

Section (c) (a) (A) lines 11 to 24, page 2 of the amendment contains new language.

(c) (1) The administrator may prohibit the further participation in any manner in the conduct of any credit union in Kansas of any current or former director, officer, committee member or employee if the administrator finds that such director, officer, committee member or employee:

(A) Has been dishonest, reckless or incompetent in performing the duties of such director, officer, committee member or employee; or

(B) willfully or continuously fails to comply with any order issued by the administrator.

(2) Any individual named in the administrative action shall be given a hearing or an opportunity for a hearing in accordance with the provisions of the Kansas administrative procedure act.

(3) The provisions of this section may be used in addition to, or in lieu

of, the provisions of subsections (a) and (b) at the administrator's discretion.

The Kansas Department of Credit Unions (KDCU) is an accredited agency by the National Association of State Credit Union Supervisors (NASCUS). NASCUS included a recommendation in their 2005 accreditation report that KDCU request prohibition authority from the legislature. § 1785 of the Federal Credit Union Act provides authority for the National Credit Union Administration to prohibit any person who has been convicted of any criminal offense involving dishonesty or a breach of trust to participate, directly or indirectly, in the conduct of the affairs of any insured credit union. Kansas credit unions are required to maintain federal share insurance.