

Approved: March 25, 2008

Date

MINUTES OF THE HOUSE INSURANCE AND FINANCIAL INSTITUTIONS COMMITTEE

The meeting was called to order by Chairman Clark Shultz at 3:30 P.M. on March 24, 2008 in Room 527-S of the Capitol.

All members were present except:

Representative Oletha Faust-Goudeau- excused  
Representative Bob Grant- 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  
Sue Fowler, Committee Assistant

Conferees appearing before the committee:

Doug Wareham, Kansas Bankers Association  
Matt Goddard, Heartland Community Bank  
Shari Weber, Community Bankers Association

Others attending:

See attached list.

Hearing on:

**Sub for SB 535**      **Credit unions; fields of membership and related matters**

Melissa Calderwood, Legislative Research Department, provided an overview on **Sub for SB 535**.

Proponents:

Doug Wareham, Kansas Bankers Association, (Attachment #1), presented testimony before the committee in support of **Sub for SB 535**.

Matt Goddard, Heartland Community Bank, (Attachment #2), gave testimony before the committee in support of **Sub for SB 535**.

Shari Weber, Community Bankers Association, (Attachment #3), appeared before the committee in support of **Sub for SB 535**.

Neutral:

Marla Marsh, Kansas Credit Union Association, (Attachment #4), gave neutral testimony before the committee on **Sub for SB 535**.

Hearing closed on **Sub for SB 535**.

Discussion and action on:

**SB 561**      **Removal of maximum coverage limitation on creditor/debtor group life insurance**

Melissa Calderwood, Legislative Research Department, provided a brief overview on **SB 561**.

Representative Peck made a motion to amend SB 561. Seconded by Representative Anthony Brown. After discussion the motion failed. Representative Neighbor moved SB 561 favorable for passage and place on the Consent Calendar. Seconded by Representative Wetta. Motion carried.

CONTINUATION SHEET

MINUTES OF THE House Insurance and Financial Institutions Committee at 3:30 P.M. on March 24, 2008 in Room 527-S of the Capitol.

**SB 464**      **Reinsurance agreements, granting the commissioner limited discretion to waive certain requirements**

Melissa Calderwood, Legislative Research Department, provided a brief overview on **SB 464**.

Representative Humerickhouse moved **SB 464** favorable for passage and place on the Consent Calendar. Seconded by Representative Anthony Brown. Motion carried.

Representative Neighbor moved without objection to accept the minutes of March 18, 2008.

Next meeting will be Tuesday, March 25, 2008, 3:30 PM in Room 527-S.

Meeting adjourned.





**Date:** March 24, 2008  
**To:** House Insurance & Financial Institutions Committee  
**From:** Doug Wareham, Senior Vice President-Government Relations  
**Re:** Support for Substitute for S.B. 535

Chairman Shultz and members of the House Insurance and Financial Institutions Committee, I am Doug Wareham appearing on behalf of the Kansas Bankers Association (KBA). KBA's membership includes 347 Kansas banks, which operate more than 1,300 banking facilities in 440 towns and cities across the state. Thank you for the opportunity to provide comments in support of Substitute for Senate Bill 535.

I am very happy to report that a compromise has been reached between the Kansas Credit Union Association, Heartland Community Bankers Association, Community Bankers Association of Kansas and the KBA with respect to proposed credit union field of membership standards for state-chartered credit unions in Kansas. Substitute for Senate Bill 535, which was adopted with overwhelming support by the Kansas Senate last week, is the product of several days of negotiations between the aforesaid parties. We respectfully ask that this bill be advanced as drafted, as both sides have agreed to work together to ensure the mutually supported provisions in this bill are not altered as this proposal is advanced through the legislative process.

Some of the highlights of the agreement reached in this bill include:

- Grandfathers existing credit union members and their immediate family members.
- Grandfathers existing common bonds of occupation and association.
- Grandfathers geographic (community) fields of membership up to 1 million in population.
- Grandfathers branches that fall outside of the new field of membership standards.
- Clarifies geographic (community) field of membership standards moving forward:
  - Non-MSA – Population up to 500,000 using contiguous political jurisdictions.
  - MSA – Population up to 1 million using MSA and common border counties.
- Allows geographic (community-based) credit unions to add common bonds of occupation and association provided the groups being added are located within their current geographic area.
- Establishes transparency requirements similar to those in place for Kansas banks:
  - Publication in a local newspaper for new branches.
  - Publication in the Kansas Register for changes in field of membership.
- Addresses voluntary and involuntary mergers between credit unions with respect to field of membership requirements.

Thank you for the opportunity to appear in support of Substitute for Senate Bill 535 and I am happy to respond to any questions you might have.

## **Credit Unions Whose Current Geographic Field of Membership Must Be Reconfigured**

- Boeing Wichita Credit Union, Wichita
  - Current FOM – 2,155,610 population
  - 46 counties – Eastern Half of Kansas
  
- Credit Union 1 of Kansas, Topeka (*Statewide*)
  
- Credit Unions United, Topeka
  - Current FOM – 1,296,893
  - 30 counties - Eastern Third of Kansas
  
- Educational Credit Union, Topeka (*Statewide*)
  
- Golden Plains Credit Union, Garden City (*Statewide*)
  
- Hutchinson Credit Union, Hutchinson (*Statewide*)
  
- Kansas Super Chief Credit Union, Topeka (*Statewide*)
  
- Medical Community Credit Union, Wichita
  - Current FOM – 688,286 population
  - 10 counties NOT contiguous
  
- Mid-American Credit Union, Wichita (*Statewide*)



Matthew S. Goddard, Vice President

700 S. Kansas Ave., Suite 512  
Topeka, Kansas 66603  
Office (785) 232-8215 • Fax (785) 232-9320  
mgoddard@hcbankers.com

To: House Committee on Insurance and Financial Institutions

From: Matthew Goddard  
Heartland Community Bankers Association

Date: March 24, 2008

Re: Substitute for Senate Bill 535

The Heartland Community Bankers Association appreciates the opportunity to appear before the House Committee on Insurance and Financial Institutions to express our support for Substitute for Senate Bill 535.

We believe that Substitute for SB 535 will put to rest any lingering controversies surrounding field of membership rules for Kansas credit unions. A 2006 report by the Legislative Division of Post Audit recommended that the Legislature amend State law to remove certain ambiguities regarding credit union fields of membership. This past fall the Special Committee on Financial Institutions and Insurance recommended that the credit union statutes be updated and certain terms defined in statute. Substitute for SB 535 does these things and as a result Kansas law is now clear and more easily understandable.

Substitute for SB 535 contains the contents of a compromise reached by HCBA, the Kansas Bankers Association and the Community Bankers Association of Kansas with the Kansas Credit Union Association. The compromise was the result of long negotiations which resulted in a considerable amount of give and take between the various parties. Amending the bill may harm the carefully crafted compromise. Therefore we would ask the Committee to respect the compromise agreement by not adopting any amendments to the bill.

The key to the compromise agreement is that all current credit union customers are allowed to continue as credit union customers. No one will be forced to discontinue a relationship with their credit union because of this bill. At the same time, Substitute for SB 535 also provides a much clearer standard for community charter credit unions. This clarity will force some credit unions to adjust their geographic field of membership, but it will also provide clear guidance for other credit unions to expand. Both sides in the negotiations gave something up and we believe that is what makes the bill a good compromise worthy of your support.

The Heartland Community Bankers Association respectfully requests that the House Insurance and Financial Institutions Committee recommend Substitute for Senate Bill 535 favorable for passage.

Thank you.

# CBA



Community Bankers  
Association of Kansas

*Directed By The Members We Serve*

Date: March 24, 2008  
To: House Insurance and Financial Institutions Committee  
From: Shari Weber, Community Bankers Association of Kansas (CBA)  
Re: Testimony support for Substitute for Senate Bill 535

Chairman Shultz and members of the House Insurance and Financial Institutions Committee, CBA appreciates the opportunity to appear before you today in support of the work reflected in the language of Substitute for Senate Bill 535. I am Shari Weber and I appear on behalf of community bankers across the state. Some of these bankers appeared before your committee during the month of January (HB 2676) on the issue before you in this bill. They are community bankers who live and work in the communities where their banks are located. Often their operations are locally owned and operated by families who have been integrally involved in their communities for generations. These bankers possess a community philosophy second to none with regard to providing financial opportunities for the citizens in their communities. They live, work, go to church and attend school functions with these citizens. These bankers possess a strong desire to pro-actively be involved in their community's financial success.

It is from that vantage point that this community banker association approached the task of working through the issues addressed in this bill to come to a workable solution for the credit unions in this state to define exactly their field of membership requirements in state statute.

Much has been debated about this issue since the late 1990's when Kansas credit unions' field of membership parameters were addressed in an interim study by a Kansas legislative committee. At that point in time, it was noted that the line defining fields of membership parameters was somewhat blurred. Since that time, bankers have continued to call attention to this matter and most recently this was addressed in a Legislative Post Audit which was completed in May 2006. The findings in this Post Audit Report regarding the Kansas Department of Credit Union's interpretation and practice of expanding fields of membership, have documented facts that banks have long asked to address in Kansas statutes.

CBA sought to have such an issue discussion with other banking associations including Heartland Community Bankers Association (HCBA), Kansas Bankers Association (KBA) and the Kansas Credit Union Association. That discussion occurred between these associations during early March 2008 and the bill you have before you today is the product of that discussion along with several public hearings held by a Subcommittee of the Senate Financial Institutions and Insurance during February 2008. CBA is supportive of the language in Senate Substitute for 535 and joins the other above named associations in requesting your favorable consideration of the bill in this form.

Thank you for your consideration and I offer the members of CBA as a resource to you.

House Insurance  
Date: 3-24-08  
Attachment # 3

# Bank Members of Community Bankers Association of Kansas

First National Bank, Alma • Stockgrowers State Bank, Alma • Alta Vista State Bank, Alta Vista • First National Bank of Southern KS, Andale • Andover State Bank, Andover • First National Bank of Anthony, Anthony • Kanza Bank, Anthony • Farmers & Merchants State Bank, Argonia • Union State Bank, Arkansas City • Citizens National Bank, Arlington • First State Bank, Arma • Bank of Atchison, USB, Atchison • Citizens Bank of Kansas, N.A., Atlanta • Citizens National Bank, Attica • Farmers Bank & Trust, Atwood • Farmers State Bank, Atwood • State Bank of Bern, Axtell • Baldwin State Bank, Baldwin City • Community National Bank, Basehor • Bendena State Bank, Bendena • The Halstead Bank, Bentley • Peabody State Bank, Benton • State Bank of Bern, Bern • Midwest Community Bank, Beverly • Bison State Bank, Bison • State Bank of Blue Rapids, Blue Rapids • Citizens State Bank & Trust Co., Bremen • Farmers Bank & Trust, Brewster • Farmers National Bank, Buhler • Nekoma State Bank, Burdett • First State Bank, Burlingame • State Bank of Canton, Canton • State Bank of Carbondale, Carbondale • Cottonwood Valley Bank, Cedar Point • Citizens State Bank, Cheney • The Farmers State Bank, Circleville • Union State Bank, Clay Center • United Bank & Trust, Clay Center • First National Bank, Clifton • Community State Bank, Coffeyville • Peoples State Bank, Colby • Coldwater Native Bank, Coldwater • Legacy Bank, Colwich • United Bank & Trust, Concordia • State Bank of Conway Springs, Conway Springs • Montezuma State Bank, Copeland • Cottonwood Valley Bank, Cottonwood Falls • Swedish-American State Bank, Courtland • Downs National Bank, Down • State Bank of Downs, Downs • First Community Bank, Emporia • Union State Bank, Everest • Farmers State Bank, Fairview • Cottonwood Valley Bank, Florence • Union State Bank, Fort Scott • Fowler State Bank, Fowler • First National Bank, Frankfort • First National Bank, Fredonia • Freeport State Bank, Freeport • Farmers State Bank, Galva • Peoples State Bank, Garden City • Garden Plain State Bank, Garden Plain • First National Bank of Southern KS, Goddard • Peoples State Bank, Goodland • Community Bank of the Midwest, Great Bend • Signature Bank KC, Haddam • The Halstead Bank, Halstead • First National Bank of Anthony, Harper • Freeport State Bank, Harper • The First National Bank of Harveyville, Harveyville • BankHaven, Haven • The Trust Company of Kansas, Haven • Community Bank of Wichita Inc., Haysville • The First State Bank of Healy, Healy • First National Bank & Trust Co., Herington • Citizens State Bank, Hill City • First State Bank, Hill City • Hillsboro State Bank, Hillsboro • Denison State Bank, Holton • The Farmers State Bank, Holton • First National Bank, Hope • Union State Bank, Horton • First State Bank, Hoxie • Peoples State Bank, Hoxie • Denison State Bank, Hoyt • Citizens State Bank, Hugoton • Farmers National Bank, Inman • Johnson State Bank, Johnson • First National Bank & Trust Co., Junction City • Citizens Bank of Kansas, N.A., Kingman • Kanza Bank, Kingman • First State Bank, Kiowa • Nekoma State Bank, La Crosse • First Option Bank, La Cygne • Plains State Bank, Lakin • The Trust Company of Kansas, Lawrence • First National Bank, Le Roy • The Trust Company of Kansas, Leavenworth • State Bank of Lebo, Lebo • The State Bank of Leon, Leon • Midwest Community Bank, Lincoln • Farmers State Bank, Lindsborg • The Lyons State Bank, Lindsborg • United Bank & Trust, Linn • Little River State Bank, Little River • First National Bank & Trust, Logan • First National Bank & Trust, Long Island • Farmers & Merchants State Bank, Longford • Lorraine State Bank, Lorraine • First Option Bank, Louisburg • Lyndon State Bank, Lyndon • The Lyons State Bank, Lyons • First Community Bank, Madison • First National Bank, Manhattan • United Bank & Trust, Manhattan • State Exchange Bank, Mankato • Stockgrowers State Bank, Maple Hill • Tampa State Bank, Marion • United Bank & Trust, Marysville • First National Bank of Anthony, Mayfield • Peoples State Bank, Mc Donald • Citizens National Bank, McPherson • Farmers State Bank, McPherson • Home State Bank & Trust Co, McPherson • Fowler State Bank, Meade • Lyndon State Bank, Melvern • Denison State Bank, Meriden • Citizens State Bank, Miltonvale • Montezuma State Bank, Montezuma • Citizens State Bank, Morland • First National Bank of Southern KS, Mount Hope • United National Bank, Natoma • Midland National Bank, Newton • Midland National Bank, North Newton • First State Bank, Norton • Farmers State Bank, Oakley • Peoples State Bank, Oakley • Union State Bank, Olsburg • First State Bank, Osage City • First Option Bank, Osawatomie • Community Bank of the Midwest, Otis • First Security Bank, Overbrook • Kansas State Bank, Overbrook • Cornerstone Bank, Overland Park • First National Bank of Johnson County, Overland Park • Signature Bank KC, Overland Park • Midwest Community Bank, Palco • First Option Bank, Paola • Stockgrowers State Bank, Paxico • Peabody State Bank, Peabody • Farmers State Bank, Phillipsburg • First National Bank & Trust, Phillipsburg • Plains State Bank, Plains • First State Bank, Plainville • Midwest Community Bank, Plainville • Prescott State Bank, Prescott • Citizens Bank of Kansas, N.A., Pretty Prairie • The Bank of Protection, Protection • Union State Bank, Randolph • The Riley State Bank, Riley • Valley State Bank, Roeland Park • St. Marys State Bank, Rossville • United National Bank, Russell • Community National Bank, Sabetha • United Bank & Trust, Sabetha • First National Bank, Scott City • Kansas State Bank, Scranton • First National Bank, Sedan • Alliant Bank, Sedgwick • Baileyville State Bank, Seneca • Community National Bank, Seneca • United Bank & Trust, Seneca • Bank of Commerce & Trust Co., South Haven • First Option Bank, Spring Hill • Signature Bank KC, Spring Hill • First National Bank, St. Marys • St. Marys State Bank, St. Marys • Farmers National Bank, Stafford • Cottonwood Valley Bank, Strong City • Citizens Bank of Kansas, N.A., Sylvia • Tampa State Bank, Tampa • Community National Bank, Tonganoxie • Denison State Bank, Topeka • Lyndon State Bank, Topeka • Towanda State Bank, Towanda • 1st Bank of Troy, Troy • Troy State Bank, Troy • Citizens Bank of Kansas, N.A., Turon • Union State Bank, Udall • Grant County Bank, Ulysses • Johnson State Bank, Ulysses • Union State Bank, Uniontown • The Halstead Bank, Valley Center • Vermillion State Bank, Vermillion • Citizens State Bank, Wakeeney • Trego-Wakeeney State Bank, Wakeeney • Farmers & Merchants State Bank, Wakefield • The Walton State Bank, Walton • First National Bank, Wamego • Kaw Valley State Bank & Trust Co., Wamego • United Bank & Trust, Washington • Farmers State Bank, Wathena • Citizens Bank, Weir • Bank of Commerce & Trust Co., Wellington • Wellsville Bank, Wellsville • Andover State Bank, Wichita • Bankers' Bank of Kansas, N.A., Wichita • BankHaven, Wichita • Citizens Bank of Kansas, N.A., Wichita • Community Bank of Wichita Inc., Wichita • Farmers & Merchants State Bank, Wichita • First National Bank of Anthony, Wichita • Garden Plain State Bank, Wichita • Kanza Bank, Wichita • Legacy Bank, Wichita • The Trust Company of Kansas, Wichita • Citizens Bank of Kansas, N.A., Winfield • Union State Bank, Winfield • Citizens State Bank & Trust Co., Woodbine •





KANSAS CREDIT UNION ASSOCIATION

**House Insurance and Financial Institutions Committee**

**Testimony regarding**

**Substitute for Senate Bill 535**

By Marla Marsh  
President and CEO of the Kansas Credit Union Association

Chairman Shultz and members of the Committee:

I appreciate the opportunity to appear before you today as a neutral conferee on Substitute for Senate Bill 535. Philosophically, it is my belief and the belief of our industry that credit unions in Kansas have not done anything wrong and that clarification of terms was all that was called for by the Interim Committee. That being said we have agreed to the language in Substitute for SB 535.

In anticipation of possible future debates between the two industries, it is important to remember that the banking associations in testimony before this committee and the Senate committee have repeatedly argued that credit unions cannot have it both ways. They cannot enjoy a privilege tax exemption and simultaneously enjoy statewide and broad fields of membership.

Though we disagree with this assertion, we have come to the table and given up our broad fields of membership along with our flexibility to expand and grow as we have in the past. It is our sincere hope that with this major concession the question surrounding the credit union privilege tax is put to rest.

We know that nine credit unions will be immediately impacted and restricted by this legislation. Moving forward the credit union industry in Kansas will not be able to grow and expand as freely as they have in the past to serve their members and Kansas consumers. Though not all members of the association are happy with this outcome, our industry can live with the agreed upon language in Substitute for SB 535.

In closing, with this legislative battle put behind us, Kansas credit unions can get back to doing what they do best—serving their members and Kansas consumers. Our industry can now wholly focus on their mission of “people helping people,” a mission that is more important than ever as the economy continues to struggle.

Thank you for your time and attention to the matter. I will be happy to stand for questions at the appropriate time.

650 S. Westdale Drive  
Suite 100  
Wichita, Kansas  
67209-2570  
1-800-362-2076  
Tel 316-942-7965  
Fax 316-206-2203

Topeka Office  
816 SW Topeka Blvd.  
Topeka, Kansas  
66612-1635  
1-888-482-5282  
Tel 785-232-2446  
Fax 785-232-2730