

## MINUTES OF THE SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE

The meeting was called to order by Chairman Ruth Teichman at 9:30 a.m. on February 4, 2009, in Room 136-N of the Capitol.

All members were present.

## Committee staff present:

Bruce Kinzie, Office of the Revisor of Statutes  
Melissa Calderwood, Kansas Legislative Research Department  
Terri Weber, Kansas Legislative Research Department  
Beverly Beam, Committee Assistant

## Conferees appearing before the committee:

Melissa Calderwood, Principal Analyst, Research Department  
John Smith, Kansas Credit Unions (Attachment 1)  
Haley DaVee, Kansas Credit Union Association (Attachment 2)  
Leslie Kaufman (written only), Kansas Cooperative Council (Attachment 3)  
Doug Wareham, Kansas Bankers' Association (Attachment 4)

## Others attending:

See attached list.

The Chair called the meeting to order and welcomed everyone to the meeting.

**Approve Minutes**

The Chair presented F I & I Minutes of January 20, 22, 27, 28 and 29 which had been previously e-mailed to Committee members. Senator Kelsey moved to approve the Minutes. Senator Masterson seconded. Motion carried.

## Hearing on

**SB 72 - Credit unions, member of**

Melissa Calderwood, Principal Analyst, Research Department, gave an overview of the bill. Ms. Calderwood stated that **SB 72** would allow a person who is a member of a credit union to remain a member until the person chooses to withdraw his or her membership or is expelled from being a member of the credit union. The bill also expands the list of who can be a member of a credit union to include a current member's "immediate family" or "household," as defined in the bill. She said the bill would also enable a credit union branch to establish a replacement branch if the branch is unable to continue operations as a result of a condition outside of its control. The bill defines the conditions in which a replacement branch can be established, she said.

John Smith, Administrator, Kansas Department of Credit Unions, testified in support of **SB 72**. He said this bill is an amendment to K.S.A. 2008 Supp. 17-2205 that corrects two oversights found during implementation of **SB 535** in 2008. Mr. Smith said this amendment adds language to enable persons who once become a credit union member to remain a member until the person chooses to withdraw or is expelled from membership. It adds language to allow those who qualify as members of a credit union to include their family or household as members. It defines "immediate family" and "household"; allows credit unions whose bylaws adopted a definition of immediate family before June 30, 2008 to use that definition; and allows if authorized in the credit union's bylaws, a member of the immediate family or household to join even when the eligible member has not joined the credit union. Mr. Smith said this bill further allows the replacement of a credit union branch that is unable to continue operations because of certain conditions. (Attachment 1)

Haley DaVee, Director of State Legislative & Public Affairs Kansas Credit Union Association, testified in support of **SB 72**. She said during the 2008 legislative session, there was an issue that came before this committee regarding lack of clarity and transparency in the credit union statute, particularly the field of membership provisions. Ms. DaVee said there are two areas that KCUA is proposing clarification within

## CONTINUATION SHEET

Minutes of the Senate Financial Institutions And Insurance Committee at 9:30 a.m. on February 4, 2009, in Room 136-N of the Capitol.

**SB 72**, those being membership eligibility and the replacement of grandfathered branches. She said membership eligibility is who, within the field of membership, can belong to a credit union. She said **SB 535** grandfathered membership components that credit unions had already been serving. She said **SB 72** will codify industry practices that they intended to include and believed were covered under **SB 535**. She said it is their goal to make sure that any credit union membership eligibility practices are clearly specified in statute to prevent any misinterpretation.

Ms. DaVee said **SB 535** allowed credit unions to grandfather any branches or continue with overt actions they had taken to construct branches and not count them towards their population limitations. She said these credit unions cannot build additional branches but they can continue to operate in the counties where they are located. She said **SB 72** provides a safeguard that if something outside of the credit union's control happened to those branches that they would be able to build a replacement branch in that county. (Attachment 2)

Leslie Kaufman, Executive Director, Kansas Cooperative Council, submitted written testimony in support of **SB 72**. (Attachment 3)

Doug Wareham, Senior Vice President-Government Relations, Kansas Banking Association, testified that KBA's position on this bill is neutral; however, they want to inform the committee that they have met on numerous occasions with staff of the Kansas Credit Union Association as they have attempted to resolve concerns that have arisen since the adoption of Substitute for **SB 535** last year. He said they have reviewed the language in **SB 72** and have no objections to what is being proposed. (Attachment 4)

Following Q & A, the Chair closed the hearing on **SB 72**.

The next meeting is scheduled for February 5, 2009.

The meeting was adjourned at 10:15 a.m.

**FINANCIAL INSTITUTIONS & INSURANCE COMMITTEE GUEST LIST**

**DATE:** 2-4-09

NAME	REPRESENTING
Derek Yarrow	Ks. Dept. of Credit Unions
John P. Smith	" " " " "
Camille Noh	Attorney Gen'l Office
Jerel Wright	Ks Credit Union Assn
Aestn Breundinger	Sen Tom Holland
Vickie Hurt	Ks Credit Union Assn
Marta Mausk	KCUA
Halley Daker	KCUA
Nick Jordan	Capitol Strategies
Gail Bright	Office of the Kansas Securities Commission
Shannon Bell,	LGR
Matthew Goddard	Heartland Community Bankers Assoc.

# KANSAS DEPARTMENT OF CREDIT UNIONS

February 4, 2009

**To: Members of the Senate Financial Institutions and Insurance Committee**

**From: John P. Smith, Administrator, Kansas Department of Credit Unions**

**Subject: Statement in support of Senate Bill No. 72**

Senate Bill 72 is an amendment to K.S.A. 2008 Supp. 17-2205 correcting two oversights found during implementation of 2008 legislation (2008 Senate Bill 535).

Senate Bill 72 Section 1 amends 17-2205 (a) (1) by adding new subsections (2) and (3) and (4).

Subsection (2) adds language to enable persons who once become a credit union member to remain a member until the person chooses to withdraw or is expelled from membership.

Subsection (3) adds language to allow those who qualify as members of a credit union to include their family or household as members.

Subsection (4) defines "immediate family" and "household"; allows credit unions whose bylaws adopted a definition of immediate family before June 30, 2008 to use that definition; and allows if authorized in the credit union's bylaws, a member of the immediate family or household to join even when the eligible member has not joined the credit union.

Senate Bill 72 Section 1 also amends K.S.A. 17-2205 (i) removing language now found in K.S.A. 17-2205 (a) (2) and (3) and (4).

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Attachment 1*

## KANSAS DEPARTMENT OF CREDIT UNIONS

Senate Bill 72 Section 1 further amends K.S.A. 17-2205 (j) (1) (A) and (B) to allow the replacement of a credit union branch that is unable to continue operations because of certain conditions.

The Kansas Credit Union Association (KCUA) requested introduction of Senate Bill 72. The Kansas Department of Credit Unions (KDCU) was consulted by KCUA in constructing the language in Senate Bill 72.

An additional amendment to correct a reference is also requested for inclusion as part of Senate Bill 72.

The amendment to K.S.A. 17-2221a (c) (1) (a new section inserted into Chapter 17 by 2008 Senate Bill 535) changes the reference for the definition of "Administrator: from K.S.A. 17-2233 to K.S.A. 17-2231. I respectfully request the amendment be incorporated into Senate Bill 72.



John P. Smith, Administrator  
Kansas Department of Credit Unions





## KANSAS CREDIT UNION ASSOCIATION

**To: Senate Financial Institutions and Insurance Committee**

**From: Haley DaVee, Director of State Legislative & Public Affairs  
Kansas Credit Union Association**

**Date: Wednesday, February 4, 2009**

**Re: Support of Senate Bill 72**

The Kansas Credit Union Association, on behalf of the 86 state-chartered and 23 federally-chartered Kansas credit unions, appreciates this opportunity to testify in support of Senate Bill 72. SB 72 would clarify some provisions of the credit union membership statute that were changed last year with the passage of SB 535.

### **Background**

During the 2008 legislative session, there was an issue that came before this committee regarding lack of clarity and transparency in the credit union statute—particularly the field of membership provisions. Kansas credit unions were asked by a number of legislators from both chambers and from both sides of the aisle to sit down with the banking industry to find a compromise that would resolve the questions and provide a long term resolution to the issue.

The compromise language that the industries jointly agreed to was amended into SB 535 and the bill passed both chambers by a large majority. KCUA believed that both goals were achieved, while still providing credit unions a distinct state charter and flexibility to continue serving their members.

The law went into effect July 1, 2008 and in the ensuing months it became clear that the language of SB 535 did not fully capture the “intent” of the agreed-upon compromise between the banking and credit union industries. Following the process requested of us last session, KCUA has worked closely with the banking associations to clarify the statute while remaining within the intent of last year’s compromise.

### **Components of SB 72**

There are two areas that KCUA is proposing clarification within SB 72—membership eligibility and the replacement of grandfathered branches.

1. **Membership Eligibility:** Membership eligibility is who, within the field of membership, can belong to a credit union. SB 535 grandfathered membership

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Attachment 2*

components that credit unions had already been serving. A question has been raised; however, that because these components were placed in the grandfathering sections of the statute, versus the prospective sections, that credit union may not be able to continue to serve some portions of their membership going forward.

The majority of these components had been allowed under the credit unions bylaws, industry standards, and the authority of the regulator to interpret membership eligibility. The wording in SB 72 is similar to the membership eligibility language utilized by federal credit unions. SB 72 will codify industry practices that we intended to include and believed were covered under SB 535. It is our goal to make sure that any credit union membership eligibility practices are clearly specified in statute to prevent any misinterpretation.

2. **Replacement of Grandfathered Branches:** SB 535 allowed credit unions to grandfather any branches or continue with overt actions they had taken to construct branches and not count them towards their population limitations. These credit unions cannot build additional branches but they can continue to operate in the counties where they are located. SB 72 provides a safeguard that if something outside of the credit union's control happened to those branches that they would be able to build a replacement branch in that county.

Because the language in SB 72 and the amendment to section G have been carefully crafted and both industries are in agreement on the language and amendment, KCUA requests that committee recommend the bill as favorable for passage with no additional amendments.

Thank you again for the opportunity to appear in support of SB 72. I would be pleased to answer any questions at the appropriate time.





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**Senate Committee on Financial Institutions &  
Insurance**

**Feb. 4, 2009  
Topeka, Kansas**

**SB 72 - clarifications pertaining to credit union  
fields of membership.**

Chairman Teichman and members of the committee, thank you for the opportunity to comment on SB 72. I am Leslie Kaufman, Executive Director for the Kansas Cooperative Council. The Kansas Cooperative Council represents all forms of cooperative businesses across the state -- agricultural, utility, credit, financial and consumer cooperatives. Cooperative enterprises operate in every county across Kansas. Credit unions, as cooperatively structured financial entities, comprise an important segment of the Council's membership.

The KCC supports the ability for cooperatively owned financial organizations, which are regulated, to grow and modify as their member-owners needs change. As you all know, extensive debate regarding credit union fields of membership took place last year, culminating in the passage of legislation. The bill that was drafted last year was extensive, with many sections. As the legislation was reviewed during the interim, it seemed additional clarification was warranted.

The bill before you today, SB 72, as we understand it, is essentially a "clean-up" bill. It will provide additional clarification to the measure passed last year. And, as we understand the matter, it follows with the intent of what was thought to be in last year's package. As such, we ask you to look favorably on SB 72.

Thank you for allowing us to comment on SB 72. Please feel free to contact me if you have any questions regarding our testimony or position on the bill.

Leslie Kaufman, Executive Director  
Kansas Cooperative Council  
785-220-4068

The Mission of the Kansas Cooperative Council is to promote, support and advance the interests and understanding of agricultural, utility, credit and consumer cooperatives and their members through legislation and regulatory efforts, education and public relations.

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2-4-09  
Attachment 3*





**Date:** February 4, 2009

**To:** Senate Financial Institutions & Insurance Committee

**From:** Doug Wareham, Senior Vice President-Government Relations

**Re:** Senate Bill 72 – Credit Union Fields of Membership

Chairman Teichman and members of the Senate Financial Institutions & Insurance 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 on S.B. 72.

For the record, our official position on this bill is neutral, however, we want to inform the committee that we have met on numerous occasions with staff of the Kansas Credit Union Association as they have attempted to resolved a couple of concerns that have surfaced since the adoption of Substitute for Senate Bill 535 last year. We have reviewed the language contained in S.B. 72 and we have no objections to what is being proposed. Simply put, we have agreed with the language contained in S.B. 72 which addresses eligibility requirements as they relate to a credit unions' membership and S.B. 72 also clarifies circumstances where a grandfathered credit union branch is allowed to relocate.

Once again, we are in agreement with the language contained in this proposal and we thank you for the opportunity to share our position. I am happy to respond to any questions you might have.

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Attachment 4*