



To: House Financial Institutions Committee

From: Haley DaVee, Senior Vice President

Date: Tuesday, January 20, 2015

Re: Kansas Credit Union Industry Update

On behalf of the 93 Kansas credit unions and their 649,000+ member-owners, the Kansas Credit Union Association appreciates the opportunity to comment today about the state of the credit union industry in Kansas.

The Credit Union Difference

Credit unions have a long history in Kansas of working to serve the financial needs of their members. The Kansas Credit Union Act was passed in 1929—five years before Congress passed the Federal Credit Union Act. The first Kansas credit union was chartered in 1929, on the eve of the greatest economic depression faced by our country. The number of credit unions continued to grow throughout the 1930s as consumers pooled their money together to create opportunities for savings and lending by putting people ahead of profits.

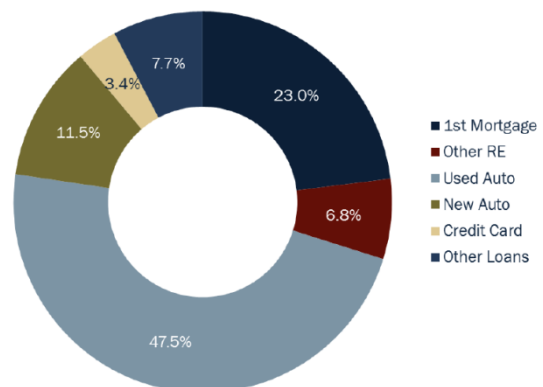
Then, as today, credit unions operate with a not-for-profit cooperative structure and are governed by volunteer boards of directors elected by and from the membership of the credit unions. All profits go back to the membership in the form of higher savings rates, lower loan rates, lower fees, and other avenues. Though some of the products and services offered have changed throughout the years, the cooperative, not-for-profit structure remains and credit unions serve an important role as a safe and valued alternative in the financial services marketplace.

Kansas Credit Unions Today

Today there are 93 Kansas credit unions whose purpose is to serve the financial needs of their 649,000+ member/owners. Kansas credit unions make up 8% of the marketplace by assets in Kansas. Though credit unions are only a small portion of the overall marketplace, they play an important role in the Kansas economy by providing a not-for-profit alternative for consumers.

Kansas credit unions today are generally healthy and well-capitalized. According to the September 2014 call report data, Kansas credit unions have an average capital ratio of 11.7% of assets, which is a higher level than bank and credit union peers nationwide. Kansas credit unions posted strong numbers in loan growth, asset growth, and share growth. In addition, delinquency rates have continued their downward trend and, at .68%, remain well below the national average of .85%.

Loan Composition for Kansas CUs
\$3.8B as of September 30, 2014



The positive position of credit unions stems in large part from the fact that every decision made at a credit union is driven by bettering the members and the financial institution they co-own. The focus at credit unions is on working with members in the interest of maintaining a strong and secure financial institution for all. As cooperatives, credit unions cannot raise capital from outside sources when they face a shortage of capital. The only way for credit unions to maintain or grow their capital levels is through retained earnings.

With 79% of Kansas credit unions holding a state charter, KCUA supports a strong state charter option for credit unions and legislative changes that strengthen the state charter option and provide flexibility to credit unions as they operate in Kansas.

Credit Unions Make a Difference

As part of our mission of “people helping people,” credit unions have always recognized the importance of community involvement and financial literacy—both for their members and in their communities. Whether it is bringing financial literacy to their local schools, providing financial counseling one-on-one with their members, or working at their local community charity, credit unions and their 1,800 employees are making a big difference in communities across the state.

Credit Union Concerns

Kansas credit unions continue to face a regulatory environment that is frequently changing and increasing in complexity. Coming into compliance with new rules and regulations can be costly as credit unions must read/understand the rules, develop new forms and disclosures, update policies and procedures, and hire/train staff and boards on the changes. These costs make it increasingly difficult for small to mid-size institutions to compete in this economy. The average size of credit unions in Kansas is \$60 million. Forty-five Kansas credit unions have less than \$10 million in assets and 1-2 employees.

We are working with Congress and federal regulators to identify and address outdated, unnecessary, burdensome, and duplicative regulation with an eye toward reducing regulatory burden on credit unions.

While credit unions certainly understand and support efforts to make the financial services industry more transparent, at the end of the day, every minute and every dollar a credit union spends complying with regulations is time and money that is not going towards the primary mission of the credit union—serving their members.

In conclusion, despite the increasing regulatory burden that Kansas credit unions are carrying, the Kansas credit union industry is doing well and continuing to meet the needs of their members. Thank you again for the opportunity to give you an update on the credit union industry.

KANSAS

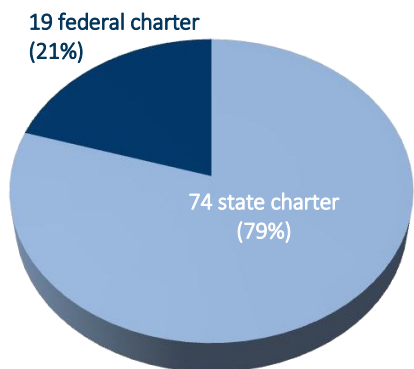
credit union statistics

Kansas credit union statistics from National Credit Union Administration, September 2014 Call Reports

Bank Statistics from FDIC, September 2014 Call Reports

United States statistics from Credit Union National Association, July 2014

Worldwide statistics from World Council of Credit Unions, 2013



93 KANSAS credit unions

6,477 U.S. credit unions
57,000 worldwide

KANSAS
total loans

\$3.8B

\$706B U.S.
\$1.1T worldwide

KANSAS
total assets

\$5.6B

\$1.1T U.S.
\$1.7T worldwide



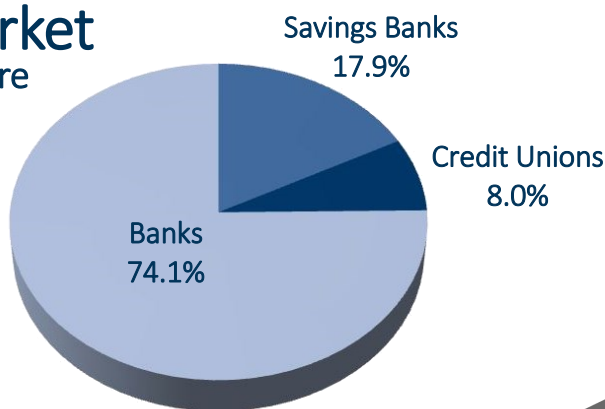
KANSAS
members

649,281

A Kansas credit union member can save **\$30,000** over their lifetime simply by using a credit union.

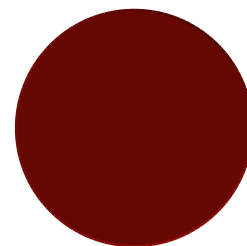
100M U.S. members
208M worldwide members

Market share



KANSAS credit union and bank comparison

Number of Institutions



270 banks



93 credit unions



13 savings banks

average Asset Size



Credit Unions
\$ 60.5M



Banks
\$193.8M



Savings Banks
\$974.9M