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Senate Committee on Financial Institutions & Insurance January 25, 2012

SB 263 - Credit union credit committees.

Thank you, Chair Teichman and members of the Senate Committee on Financial Institutions & Insurance for the opportunity to comment on behalf of our members in support of SB 263. I am Leslie Kaufman, President/CEO of the Kansas Cooperative Council.

The Kansas Cooperative Council (KCC) represents all forms of cooperative businesses across the state -- agricultural, utility, credit, financial and consumer cooperatives. One of our most numerous member segments is our credit union (CU) sector. Through a membership arrangement with the Kansas Credit Union Association (KCUA), individual credit unions joining the KCUA also join the KCC.

The changes sought in SB 263 will provide Kansas credit unions increased flexibility in addressing how best to meet members' needs when it comes to making loan decisions. It replaces a state-driven mandate for CUs to maintain a credit committee with the ability to manage loan approval through a committee structure or by management pursuant to board adopted policies. Some credit unions may opt for a credit committee while others may look to a credit manager that will evaluate loans based on board-driven policies. The ability to establish a system that meets members' needs in an efficient and effective manner is important to our credit union members.

SB 263 will also allow for greater parity between federally-chartered and state-chartered credit unions. Currently, state-chartered CUs are required to have a credit committee consider loans. That is not mandated for federally-chartered CUs. Amending existing state law as outlined in SB 263 provides greater alignment between state and federally-chartered credit unions.

Additional changes proposed in SB 263 clarify how to handle certain committee vacancies and suspension of a board or credit committee members. Current law requires a unanimous vote of the supervisory committee to suspend a board member or credit committee member. Because a board member could be serving on the supervisory committee, the potential exists for a conflict that would impede getting that unanimous vote. As such, credit unions support modifying the law to provide for a super-majority vote to suspend.

We thank you for the opportunity to share our support for SB 263 with your committee. We certainly hope the committee will act favorable on this measure. If you should have any questions for us regarding our testimony, please feel free to contact me at 785-220-4068.