

Approved: March 6, 2012
(Date)

MINUTES OF THE HOUSE FINANCIAL INSTITUTIONS COMMITTEE

The meeting was called to order by Chairperson Forrest Knox at 3:30 PM on Thursday, March 1, 2012, in Room 152-S of the Capitol.

All members were present except Charlotte O'Hara and Clark Shultz, both of whom were excused.

Committee staff present:

Melissa Calderwood, Kansas Legislative Research Department
Cindy Lash, Kansas Legislative Research Department
Matt Sterling, Office of the Revisor of Statutes
Sean Ostrow, Office of the Revisor of Statutes
Gary Deeter, Committee Secretary

Conferees appearing before the Committee:

Haley DaVee, Vice President of Governmental and Public Affairs, Kansas Credit Union Association

Others in attendance:

See attached list.

The Chair opened the hearing on **SB 263 – Credit Unions; making use of credit committees permissive.**

Staff Matt Sterling provided a briefing on the bill, saying that the bill amends **K.S.A. 17-2208, 17-2210, and 17-2211**, permitting the board of directors or members of a credit union to determine the composition of a credit committee (Attachment 1). It also removes the requirement that only a credit committee can approve a loan and adds a credit or loan manager to the loan-approval process. The third section of the bill changes the requirement of a unanimous vote to a two-thirds vote for suspension of an officer, a member of the credit committee, or a member of the board of directors.

Haley DaVee, Vice President of Governmental and Public Affairs, Kansas Credit Union Association, testified as a proponent (Attachment 2). Commenting that the 100 Kansas credit unions are not-for-profit financial cooperatives, she said the changes in the bill remove the statutory requirement restricting the loan-approval process only to a credit committee and allow credit unions to choose the option that best serves the needs of their members. She noted that the

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bill reflects federal credit union law. She stated that the bill also makes a distinction between an elected member and a board-appointed member and removes a possible conflict in the process of suspending a member of the board or credit committee.

Ms. DaVee responded to members' questions:

- Credit union boards range from 5-13 in number.
- The present statutory requirement is a unanimous vote for suspending an officer or member of the credit committee.
- A loan officer may or may not be appointed to a credit committee.
- Board members are elected. The supervisory committee members may be appointed or elected.

A member recommended allowing members to approve board appointments, a procedure that would provide a better sense of ownership among members. The member also suggested, in light of the federal Dodd-Frank Act, adding outside accountability to provide more transparency.

The Chair noted two other proponents, who provided written-only testimony:

- Leslie Kaufman, President/CEO of the Kansas Cooperative Council ([Attachment 3](#)), and
- John P. Smith, Administrator, Kansas Department of Credit Unions ([Attachment 4](#)).

A member noted that a further statutory step is required by **K.S.A. 17-2202**, the approval by the Administrator of the Kansas Department of Credit Unions. Responding, Mr. Smith stated that the Department approves the changes.

The hearing on **SB 263** was closed, and the Chair opened the hearing on **SB 265 - Credit Unions; Bylaw amendments concerning suspensions.**

Mr. Sterling reviewed the bill, stating that the bill amends the aforementioned **K.S.A. 17-2202** to allow changes in credit-union bylaws to become effective without the Administrator's approval if he has not acted on the proposed changes within 60 days ([Attachment 5](#)).

Ms. DaVee spoke again as a proponent for the bill, saying that credit unions amend their bylaws for a variety of reasons, and, although there has never been a problem approving changes under the present Administrator, the bill will provide statutory certainty for credit unions in the bylaw-

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amendment process ([Attachment 6](#)). Responding to a question, Ms. DaVee reaffirmed that the bill is proactive, not a reaction to the current Administrator. Mr. Smith noted that the 60 days reflects an agreement between the Administrator and the Association.

Two proponents submitted written testimony:

- Leslie Kaufman, President/CEO of the Kansas Cooperative Council ([Attachment 7](#)), and
- John P. Smith, Administrator, Kansas Department of Credit Unions ([Attachment 8](#)).

The hearing on **SB 265** was closed.

The Chair noted that [Attachment 9](#) provides background information for hearings next week. The meeting was adjourned at 3:53 p.m. The next meeting is scheduled for Tuesday, March 6, 2012, at 3:30 p.m. in Room 152-S.

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