

Date: March 5, 2018

To: Representative Jim Kelly, Chairman
House Financial Institutions & Pensions Committee

From: Stephanie Mullholland, Director of Legislative & Political Affairs
Heartland Credit Union Association

Mr. Chairman and Members of the Committee,

Thank you for the opportunity to testify in support of Senate Bill 292. Heartland Credit Union Association represents the 83 Kansas credit unions located throughout the state. More than 674,000 Kansans belong to a local credit union. Credit unions are not-for-profit financial cooperatives governed by a volunteer board of directors that is elected by and from the membership. As cooperatives, credit unions provide consumers with a not-for-profit option in the financial services market.

SB 292 seeks to modernize the statute in a way that reflects the realities of today's market. Specifically, this would make four changes to Kansas Statute 17-2219 regarding membership expulsion policies:

- Indicates that the credit union's board of directors can authorize its CEO, manager or other credit union employees with the authority to expel a member. This change would take into account the need for branch managers, as an example, to address instances that may require immediate attention at the branch they oversee.
- Provides flexibility and local control for each credit union and its board of directors to determine its own policy regarding grounds for expulsion. The current law lists reasons for expulsion as abuse of account privileges, failure to utilize services, or causing a financial loss to the credit union. This creates a gray area when it comes to other reasons for expulsion that can arise in rare circumstances, such as attempted use of an account for criminal activity, repeated harassment or threats toward employees or other members, or theft of personal property while on credit union premises.
- Removes the 30-day window requirement during which an expelled member may continue to access credit union services after being expelled. Under this change, credit unions could continue to include a waiting period in their adopted membership policy but would have the flexibility to determine best practices based on the needs of their specific credit union.
- Amends outdated language to reflect member privacy requirements in the appeals process. SB 292 would allow a member to appeal an expulsion before the credit union's board of directors rather than having to appeal before the membership. This bill would also remove language requiring that the membership be notified of expulsions and instead direct that notification to the board of directors.

HCUA supports passage of SB 292 in order to modernize the law, which will make it more adaptive to a changing financial marketplace and protect the integrity of our cooperative structure for all members.

We appreciate your favorable consideration of SB 292.