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MEMORANDUM

To: Chairman Kelly and members of the House Financial Institutions and Pensions Committee

From: David Wiese, Assistant Revisor

Date: February 11, 2019

Subject: **HB 2101; Updating state credit union statutes.**

House Bill No. 2101 makes several amendments to state credit union statutes. The bill provides that all the statutes in article 22 of chapter 17 of the Kansas Statutes Annotated shall be known and may be cited as the state credit union code and makes technical amendments throughout such statutes to that effect.

HB 2101:

1. Eliminates requirement that a supervisory committee of a credit union need at least three members.
2. Removes the requirement that amendments to credit union bylaws be approved by a $\frac{2}{3}$ vote of the board of directors.
3. Subjects entities misrepresenting themselves as a credit union through a website URL without being organized under the state credit union code to a class A misdemeanor.
4. Changes the powers of a credit union. Credit unions would no longer be required to make investments through their board of directors and may invest in corporate credit unions that are federally insured.
5. Eliminates the requirement that funds of the credit union first be used for loans to members and preference be given to smaller loans if not all loans can be made.
6. Removes the requirement that investments in corporate credit unions not exceed 25% of the credit union's shares, undivided earnings and reserves.
7. Removes specific annual board meeting requirements and allows for such meetings to be held according to the credit union's bylaws.
8. Allows vacancies on the credit and supervisory committees to be filled in accordance with the credit union's bylaws.

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9. Amends the powers and duties of the board of directors in regard to par value of shares, minimum number of shares required for membership, authorizing persons to execute documents on behalf of the credit union, purchasing insurance coverage; authorizing employment and compensation of the chief executive officer; budgeting; conveying real property; reviewing and approving the annual audit, appointing any necessary committees, establishing conditions under which a member could be removed for cause and any other duties not inconsistent with the state credit union code.
10. Requires the board to establish lending and borrowing policies; act upon applications for membership in the credit union; establish loan policies, terms and conditions; declare dividends and set interest rates on deposits; and approve the charge-off of credit union losses.
11. Removes the ability for persons denied a loan to appeal such denial to the board if the bylaws allow for such appeal.
12. Eliminates current law requiring the board to approve employee salaries.
13. Provides that when a supervisory committee suspends an officer of the credit union, that a meeting shall be held within 60 days after such suspension. Current law states that such meeting shall take place not less than 7 nor more than 21 days after such suspension.
14. Eliminates the ability of the supervisory committee to call a shareholder meeting to consider violations of the state credit union law or of the bylaws or any practice of the credit union that is deemed to be unsafe and unauthorized.
15. Eliminates the provisions requiring the supervisory committee to certify all members' accounts at least once every two years using a controlled certification or at least once a year using a controlled random statistical sampling of accounts.
16. Establishes 10% of the credit union's assets as the maximum loan amount instead of the current limit of \$500 or 10% of the assets, whichever is greater.
17. Provides that loans to the credit union's directors, credit or supervisory committee members or other members for which the director or committee member acts as guarantor or endorser who are not employees only if in the case where the aggregate of loans exceeds \$100,000, instead of \$50,000 under current law, such loans are approved by the credit committee or duly authorized loan officer and the board of directors and removes the requirement that such loans be reported annually to the administrator.
18. Requires corporate credit unions to comply with the reserve requirements of the national credit union administration's rules and regulations.
19. Eliminates the requirement that written notice of the credit union's expulsion policy be mailed to each member of the credit union.

20. Eliminates the necessity to obtain written approval of the administrator when making expenditures to lease, hold or rent real estate as well as making capital improvements that exceed 5% of the total shareholdings, reserves and undivided earnings of the credit union.
21. Provides that certificates of merger no longer need to be made in triplicate.
22. Requires that when credit union assets being sold to another credit union and are valued at greater than 10% of either the purchasing credit union's or the selling credit union's total amount of shares, undivided earnings and reserves that a copy of the agreement be filed with the administrator within a month of the signing of the agreement.
23. Provides new definitions of "corporate credit union," "credit union services organization," "federal intermediate credit bank," "electronic notice," and "branch."
(See pages 23-24 of bill)
24. Allows the administrator to appoint other staff of the state department of credit unions and removes salary restrictions on such staff.
25. Updates the term "shareholder" to "member" in K.S.A. 17-2263.
26. Eliminates references to "federal credit union" in K.S.A. 17-2268.

The bill also makes several other technical, grammatical and conforming amendments.