

Date: March 14, 2019

To: Chairman Rob Olson
Senate Financial Institutions & Insurance 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 House Bill 2101, a bill we introduced this year to modernize the state's credit union act.

About Kansas Credit Unions

Heartland Credit Union Association (HCUA) represents the 81 credit unions headquartered in the state of the Kansas and the 667,000 consumers who belong to a Kansas credit union. Credit unions are not-for-profit financial cooperatives, like agricultural and electric cooperatives. We have a long history in Kansas, first emerging on the verge of the Great Depression when traditional financial institutions were unable or unwilling to provide services. Since then, credit unions have provided consumers with a not-for-profit alternative, serving the financial needs of Kansas families in both good times and in bad.

Credit unions hold 7% of the overall market and just 0.62% of the commercial market. While credit unions may account for a small segment of the market, they play a larger role bringing balance and creating competition in the financial marketplace, which keeps loan rates and fees in check for all Kansans.

About House Bill 2101

A lot has changed since the first Kansas credit union was chartered in the 1920s, but some aspects of our state's credit union laws have not. House Bill 2101 would bring Kansas law up-to-date and continue to protect the locally operated, not-for-profit structure of credit unions.

This past summer, Kansas credit unions formed a task force to review state laws governing credit unions and assess needed changes. Eight Kansas credit union CEOs and compliance experts from across the state worked over a three-month time period to analyze Kansas' credit union statutes. They developed a set of recommendations for changes – contained in House Bill 2101 - which have been vetted with the Kansas Department of Credit Unions (KDCU) and compared with federal credit union requirements.

What Does House Bill 2101 Do?

Specifically, House Bill 2101 would make three types of changes to the state's credit union laws:

1) Technical Clean-Up. Throughout the statutes, we made updates to bring the language in line with federal law and to remove outdated requirements. This includes:

- Removing the requirement that certain forms be produced “in triplicate” since carbon copy paper is not often utilized;
- Replacing use of the term “shareholder” with the term “member” since credit unions do not have for-profit shareholders, they are instead governed by the members;
- Removing references to federally-chartered credit unions, which are governed by the Federal Credit Union Act rather than state statute;
- Naming the statutes that collectively pertain to credit unions as the “State Credit Union Code.”

2) Duplicative & Outdated Language. We struck several lines in the statutes that are either outdated or duplicative, such as:

- Removing references to how credit unions may call membership meetings, the length of terms of office for their board members, and the number of members that shall serve on a credit union’s supervisory committee, all of which fall under local control and are already spelled out in the bylaws of each credit union;
- Streamlining references to financial thresholds to read as a percentage of the credit union’s “shares, undivided earnings and reserves” in order to create consistency throughout the statutes;
- Updating the threshold regarding the process for making loans to directors from \$50,000 to \$100,000 to adjust for inflation over time;
- Defining a threshold for when certain asset sales are to be filed with the KDCU administrator;
- Updating the definition for “corporate credit unions” and adding a definition for “electronic notice.”

3) Consumer-Focused Updates. We sought to identify changes that allow credit unions to better serve the needs and interests of Kansas consumers. Namely, this includes:

- Adding website URL protections to the statutes that make it unlawful for scam artists to use the term “credit union” in a website URL in order to portray themselves as a legitimate financial institution to consumers;
- Modernizing consumer notification requirements, which gives members the option to receive information about their accounts electronically rather than requiring mailed notification to all members.

Collectively, we believe these changes will streamline the law for Kansas-chartered credit unions, protect local control for the members, and better enable credit unions to meet the needs of their members.

We ask for your favorable consideration of House Bill 2101.