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MEMORANDUM

To: Senate Committee on Financial Institutions and Insurance

From: Eileen Ma, Assistant Revisor

Date: March 14, 2019

Subject: Bill Brief on HB 2101

House Bill No. 2101 makes several amendments to state credit union statutes. The bill was sponsored by the House Committee on Financial Institutions and Pensions at the request of the Heartland Credit Union Association. The bill was passed on a vote of 116 to 1 and referred to this committee upon its receipt and introduction to the Senate. In committee, the House Committee on Financial Institutions and Pensions made two amendments, noted in the brief details below.

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. *(Page 1, lines 11-13)*

HB 2101:

1. Eliminates requirement that a supervisory committee of a credit union need at least three members. *(Page 2, lines 10-11)*. **This requirement was restored by a committee amendment.**
2. Removes the requirement that amendments to credit union bylaws be approved by a $\frac{2}{3}$ vote of the board of directors. *(Page 2, lines 32-34)*
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. *(Page 3, line 14)*
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. *(Page 3, lines 32 and 36)*
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. *(Page 4, lines 11-15)*
6. Removes the requirement that investments in corporate credit unions not exceed 25% of the credit union's shares, undivided earnings and reserves. *(Page 4, lines 30-32)*

7. Removes specific annual board meeting requirements and allows for such meetings to be held according to the credit union's bylaws. *(Page 9, lines 33-43; Page 10, lines 1-5)*
8. Allows vacancies on the credit and supervisory committees to be filled in accordance with the credit union's bylaws. *(Page 10, line 29)*
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. *(Page 11, lines 11-43; Page 12, lines 1-18)*
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. *(Page 12, lines 19-28)*
11. Removes the ability for persons denied a loan to appeal such denial to the board if the bylaws allow for such appeal. *(Page 13, lines 12-15)*
12. Eliminates current law requiring the board to approve employee salaries. *(Page 12, lines 38-40)*
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. *(Page 13, line 22)*
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. *(Page 13, lines 26-29)*
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. *(Page 14, lines 1-9)*
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. *(Page 15, lines 22-23)*
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. *(Page 15, line 39; Page 16, lines 3-4)*

18. Requires corporate credit unions to comply with the reserve requirements of the national credit union administration's rules and regulations. *(Page 16, lines 23-27)*
19. Eliminates the requirement that written notice of the credit union's expulsion policy be mailed to each member of the credit union. *(Page 17, lines 5-10)*
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. *(Page 19, lines 12-22)*
21. Provides that certificates of merger no longer need to be made in triplicate. *(Page 19, line 40; Page 20, line 7)*
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. *(Page 20, lines 38-42)*
23. Provides new definitions of "corporate credit union," "credit union services organization," "federal intermediate credit bank," "electronic notice," and "branch." *(Page 23, lines 32-38; Page 24, lines 7-20)*
24. Allows the administrator to appoint other staff of the state department of credit unions and removes salary restrictions on such staff. *(Page 25, lines 9-39)*
25. Updates the term "shareholder" to "member" in K.S.A. 17-2263. *(Page 27)*
26. Eliminates references to "federal credit union" in K.S.A. 17-2268. *(Pages 27-28)*
Committee amendment made to eliminate additional references on page 27.

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