

MINUTES OF THE SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE

The meeting was called to order by Chairman Ruth Teichman at 9:30 a.m. on February 4, 2009, in Room 136-N of the Capitol.

All members were present.

Committee staff present:

Bruce Kinzie, Office of the Revisor of Statutes
Melissa Calderwood, Kansas Legislative Research Department
Terri Weber, Kansas Legislative Research Department
Beverly Beam, Committee Assistant

Conferees appearing before the committee:

Melissa Calderwood, Principal Analyst, Research Department
John Smith, Kansas Credit Unions (Attachment 1)
Haley DaVee, Kansas Credit Union Association (Attachment 2)
Leslie Kaufman (written only), Kansas Cooperative Council (Attachment 3)
Doug Wareham, Kansas Bankers' Association (Attachment 4)

Others attending:

See attached list.

The Chair called the meeting to order and welcomed everyone to the meeting.

Approve Minutes

The Chair presented F I & I Minutes of January 20, 22, 27, 28 and 29 which had been previously e-mailed to Committee members. Senator Kelsey moved to approve the Minutes. Senator Masterson seconded. Motion carried.

Hearing on

SB 72 - Credit unions, member of

Melissa Calderwood, Principal Analyst, Research Department, gave an overview of the bill. Ms. Calderwood stated that **SB 72** would allow a person who is a member of a credit union to remain a member until the person chooses to withdraw his or her membership or is expelled from being a member of the credit union. The bill also expands the list of who can be a member of a credit union to include a current member's "immediate family" or "household," as defined in the bill. She said the bill would also enable a credit union branch to establish a replacement branch if the branch is unable to continue operations as a result of a condition outside of its control. The bill defines the conditions in which a replacement branch can be established, she said.

John Smith, Administrator, Kansas Department of Credit Unions, testified in support of **SB 72**. He said this bill is an amendment to K.S.A. 2008 Supp. 17-2205 that corrects two oversights found during implementation of **SB 535** in 2008. Mr. Smith said this amendment adds language to enable persons who once become a credit union member to remain a member until the person chooses to withdraw or is expelled from membership. It adds language to allow those who qualify as members of a credit union to include their family or household as members. It defines "immediate family" and "household"; allows credit unions whose bylaws adopted a definition of immediate family before June 30, 2008 to use that definition; and allows if authorized in the credit union's bylaws, a member of the immediate family or household to join even when the eligible member has not joined the credit union. Mr. Smith said this bill further allows the replacement of a credit union branch that is unable to continue operations because of certain conditions. (Attachment 1)

Haley DaVee, Director of State Legislative & Public Affairs Kansas Credit Union Association, testified in support of **SB 72**. She said during the 2008 legislative session, there was an issue that came before this committee regarding lack of clarity and transparency in the credit union statute, particularly the field of

CONTINUATION SHEET

Minutes of the Senate Financial Institutions And Insurance Committee at 9:30 a.m. on February 4, 2009, in Room 136-N of the Capitol.

membership provisions. Ms. DaVee said there are two areas that KCUA is proposing clarification within **SB 72**, those being membership eligibility and the replacement of grandfathered branches. She said membership eligibility is who, within the field of membership, can belong to a credit union. She said **SB 535** grandfathered membership components that credit unions had already been serving. She said **SB 72** will codify industry practices that they intended to include and believed were covered under **SB 535**. She said it is their goal to make sure that any credit union membership eligibility practices are clearly specified in statute to prevent any misinterpretation.

Ms. DaVee said **SB 535** allowed credit unions to grandfather any branches or continue with overt actions they had taken to construct branches and not count them towards their population limitations. She said these credit unions cannot build additional branches but they can continue to operate in the counties where they are located. She said **SB 72** provides a safeguard that if something outside of the credit union's control happened to those branches that they would be able to build a replacement branch in that county. (Attachment 2)

Leslie Kaufman, Executive Director, Kansas Cooperative Council, submitted written testimony in support of **SB 72**. (Attachment 3)

Doug Wareham, Senior Vice President-Government Relations, Kansas Banking Association, testified that KBA's position on this bill is neutral; however, they want to inform the committee that they have met on numerous occasions with staff of the Kansas Credit Union Association as they have attempted to resolve concerns that have arisen since the adoption of Substitute for **SB 535** last year. He said they have reviewed the language in **SB 72** and have no objections to what is being proposed. (Attachment 4)

Following Q & A, the Chair closed the hearing on **SB 72**.

The next meeting is scheduled for February 5, 2009.

The meeting was adjourned at 10:15 a.m.