AN ACT concerning credit unions; relating to credit union insurance; amending K.S.A. 17-2204, 17-2234 and 17-2246 and repealing the existing sections; also repealing K.S.A. 17-2250, 17-2251, 17-2252, 17-2253, 17-2254, 17-2255, 17-2256, 17-2257, 17-2258, 17-2259, 17-2261, 17-2265, 17-2266 and 17-2267.

Be it enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. 17-2204 is hereby amended to read as follows: 17-2204. A credit union shall have the following powers:

(a) It may receive the savings of its members in payment for shares, make contracts, sue and be sued, and provide negotiable checks, money orders, travelers checks, any other money type instruments or transfer methods, safe deposit boxes or similar safekeeping facilities to its members.

(b) It may make loans to members through the credit committee or authorized loan officer in the way and manner provided in K.S.A. 17-2201 et seq., and amendments thereto.

(c) It may invest, through its board of directors and under written investment policies established by the board:

(1) In all types of shares and accounts of a corporate credit union, located in the state of Kansas and under the supervision of the administrator;

(2) in shares or accounts of any savings and loan association or mutual savings bank the accounts of which are insured by an insurer approved by the state in which it operates for guaranteeing the shares or accounts of such institutions;

(3) in the bonds or other obligations of the United States of America, or securities fully guaranteed as to principal and interest thereby;

(4) in obligations of, or obligations issued by, any state or political subdivision thereof, including any agency, corporation or instrumentality of a state or political subdivision, except that no credit union may invest more than 10% of its shares, undivided earnings and reserves in the obligations of any one issuer exclusive of general obligations of the issuer;

(5) in savings banks, state banks, trust companies and national banks, the accounts of which are insured by an insurer approved by the state in which it operates for guaranteeing the shares or accounts of such
(6) Unless the administrator authorizes otherwise, the funds of the
credit union shall be used first for loans to members and preference shall
be given to the smaller loans in the event the available funds do not permit
all loans which have been approved by a loan officer or have passed the
credit committee to be made.

(d) It may enter into agreements with financial institutions or
organizations for the extension of credit or debit services.

(e) It may do all things necessary to obtain, continue, pay for and
terminate insurance of its shares and share certificates with the national
credit union share insurance fund or its successor or successors or with an
insurer approved by the state commissioner of insurance or guarantee
corporation approved by the administrator under the provisions of this act
for such purpose. A credit union also may do all things necessary to
obtain, continue, pay for and terminate private insurance coverage of its
shares and share certificates in excess of the coverage for such shares and
share certificates provided by the national credit union share insurance
fund or its successor. Such excess coverage shall be obtained from an
insurer approved by the commissioner of insurance.

(f) It may receive from its members or other insured credit unions
payments on shares and share certificates and may invest its funds in
shares, share certificates or other accounts of insured credit unions. Except
for investments in corporate credit unions, such investments may not
exceed 25% of the investing credit unions' shares, undivided earnings and
reserves.

(g) A corporate credit union, as defined by subsection (e) of K.S.A.
17-2231, and amendments thereto, may buy and sell investment securities,
as defined by the administrator, but the total amount of such investment
securities of any one obligor or maker held by such credit union shall at no
time exceed 15% of the shares, undivided earnings and reserves of the
credit union except that this limit shall not apply to obligations of the
United States government or any agency thereof.

(h) Credit unions may enter into agreements to discount or sell
student loans made pursuant to federally insured student loan programs
under public law 89-329, title IV part (b) of the higher education act of
1965 as amended.

(i) A credit union may discount or sell to such corporate credit union
or any financial institution or organization any real estate loan made by the
credit union.

(j) Credit unions may enter into agreements with a corporate credit
union to discount or sell to such corporate credit union any obligation of
the United States government or any agency thereof, or of any state,
municipality or any agency thereof, if the obligation at the time of
purchase was a legal investment for credit unions.

(k) It may provide that shares and share certificates may be withdrawn for payment to the account holder or to third parties, in such manner and in accordance with such procedures as may be established by the board of directors.

(l) Every credit union incorporated pursuant to or operating under the provisions of this act may exercise such powers, including incidental powers, as shall be necessary or requisite to enable it to carry on effectively the purposes and business for which it is incorporated.

(m) A credit union may receive from the national credit union central liquidity facility created by title III of the federal credit union act, 12 U.S.C. § 1795, et seq., payments on: (1) Shares which may be issued at varying dividend rates; (2) share certificates which may be issued at varying dividend rates and maturities; and (3) investments in any other accounts of the credit union. A credit union may invest its funds in the capital stock of the national credit union central liquidity facility.

(n) Subject to written guidelines issued by the administrator, a credit union may purchase notes made by individual borrowers to a financial institution at such prices as may be agreed upon by the board of directors of the purchasing credit union. No purchase may be made, however, under authority of this subsection, unless approved in writing by the administrator, if, upon the making of that purchase, the aggregate of the unpaid balances of notes of nonmembers purchased under authority of this subsection would exceed 5% of the shares, undivided earnings and reserves of the credit union.

(o) Subject to rules and regulations adopted by the administrator, a credit union, if designated by the administrator as a low-income credit union, may accept payments to share accounts by nonmembers. Such rules and regulations shall specify the maximum level of nonmember shares, the use of such shares, the term of such accounts and other requirements to address safety and soundness issues. Nonmember account holders do not have the same rights and privileges as members.

Sec. 2. K.S.A. 17-2234 is hereby amended to read as follows: 17-2234. (a) (1) There is hereby established the state department of credit unions, which shall be under the administrative supervision of the administrator as directed by law. The administrator may appoint or employ an attorney to assist the department in its functions under this act, and in accordance with the civil service law, such special assistants, deputies or examiners, and other employees, as may be necessary for the purpose of administering and enforcing the provisions of this act.

(2) The administrator is hereby authorized to appoint financial examiners and an administrative assistant who shall be in the unclassified service under the Kansas civil service act and shall receive an annual
salary fixed by the administrator in accordance with an equitable salary
schedule established by the administrator for all unclassified positions.
The average of the salaries shall not exceed the average compensation of
corresponding state regulatory positions in similar geographic areas.
Each financial examiner and administrative assistant appointed after July
1, 2013, shall be in the unclassified service under the Kansas civil service
act.

(b) Nothing in subsection (a) shall affect the classified status of any
person employed with the department of credit unions on the day
immediately preceding the effective day of this act.

(c) (1) Subject to the provisions of the appropriation acts, the
administrator may appoint financial examiners, financial examiner
administrators, case managers and a business manager within the
department of credit unions as determined necessary by the administrator
to effectively carry out the mission of the department. Each financial
examiner, financial examiner administrator, case manager or business
manager appointed after the effective date of this act shall be in the
unclassified service under the Kansas civil service act, shall have special
training and qualifications for such positions and shall serve at the
pleasure of the administrator. The administrator shall prepare and
maintain an equitable salary schedule for such appointed positions.

(2) The average of the amount of compensation in the administrator’s
salary schedule for such appointed positions in the unclassified service
shall not exceed the average compensation of corresponding state
regulatory positions in similar geographic areas. The administrator’s
salary schedule for unclassified positions shall be reported to the credit
union council annually.

(d) Each special assistant, deputy, examiner and other such
employees as may be necessary for the purpose of administering and
enforcing the provisions of this act shall submit to a security background
check prior to being employed in such position. Upon the commencement
of the interview process, every candidate shall be given a written notice
that a security background check is required. The security background
check shall be limited to criminal history record information as provided
by K.S.A. 22-4701 et seq., and amendments thereto. If the criminal history
record information reveals any conviction of crimes of dishonesty, such
conviction may be used to disqualify a candidate for any position within
the office of the department of credit unions. If the criminal history record
information is used to disqualify a candidate, the candidate shall be
informed in writing of that decision. Upon determining whether to hire or
disqualify a candidate, the candidate's criminal history record information
report shall be destroyed. The candidate's personnel file shall only contain
a statement that a security background check was performed and the date
thereof.
   
   (c) The state department of credit unions shall submit an employment
candidate's fingerprints to the Kansas bureau of investigation and to the
federal bureau of investigation for the purpose of determining whether the
applicant has a criminal record.

Sec. 3. K.S.A. 17-2246 is hereby amended to read as follows: 17-
2246. (a) (1) Every credit union which is organized and operating under
the laws of the state of Kansas, except a corporate credit union, shall
insure the shares of each shareholder of such credit union.

   (2) Every credit union shall insure the shares of each shareholder of
such credit union with the national credit union share insurance fund, or its
successor, or with an insurer approved by the state commissioner of
insurance or guarantee corporation approved by the administrator, for such
purpose as hereinafter provided in an amount not less than that provided
by the national credit union administration, except that the administrator
may grant a reasonable extension of time for compliance therewith under
such rules and regulations as the administrator may adopt.

   (b) (1) Notwithstanding the provisions of paragraph (2) of subsection
(a), every credit union which is organized and operating under the laws of
the state of Kansas and not currently insured by the national credit union
share insurance fund (NCUSIF), except a corporate credit union, shall
make application for insurance with the NCUSIF within 120 days of the
effective date of this act.

   (2) The application for NCUSIF insurance shall be filed with the
Kansas state department of credit unions, then forwarded to the national
credit union administration.

   (3) (2) Every credit union chartered after the effective date of this act
shall obtain NCUSIF coverage prior to commencing business.

   (4) (3) The administrator may suspend the charter, merge, liquidate,
or take possession of any credit union which fails to comply with the
provisions of this section or which loses or allows such coverage to lapse.

   (c) (1) Notwithstanding the provisions of paragraph (2) of subsection
(a), every credit union shall obtain a certificate of insurance from the
NCUSIF within 18 months of the effective date of this act.

   (2) The administrator may extend, for a period up to 18 months, the
date by which a credit union must obtain such certificate upon satisfactory
evidence that the credit union has made and is making good faith efforts to
acquire the coverage.

   (3) Any credit union which is unable to comply with this subsection
shall be liquidated by the administrator, unless the administrator approves
the merger or consolidation of such credit union with a NCUSIF insured
credit union.

   (4) Every credit union shall maintain their current share insurance-
during the conversion process.

(d) Every credit union shall forward a copy of the NCUSIF certificate of insurance to the administrator within 30 days after the credit union receives the certificate.

(e) (d) (1) Every credit union shall take every action legally required to maintain NCUSIF insurance coverage in full force and effect, and shall refrain or desist from taking any action that is likely to cause termination of NCUSIF insurance coverage.

(2) The administrator shall order the merger, consolidation, or liquidation of any credit union whose NCUSIF insurance is terminated.

(f) No bylaw amendment of any nonfederal insurer shall be binding upon any Kansas credit union unless and until approved by the Kansas state department of credit unions.


Sec. 5. This act shall take effect and be in force from and after its publication in the statute book.