

February 8, 2019

The Honorable Jim Kelly, Chairperson
House Committee on Financial Institutions and Pensions
Statehouse, Room 581-W
Topeka, Kansas 66612

Dear Representative Kelly:

SUBJECT: Fiscal Note for HB 2101 by House Committee on Financial Institutions and Pensions

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2101 is respectfully submitted to your committee.

HB 2101 would amend several procedures regarding credit unions, including:

1. Removing the requirement that a credit committee and a supervisory committee must each have at least three members;
2. Removing the specification that two-thirds of a credit union's board of directors must approve of amendments to the credit union's bylaws or charter;
3. Clarifying that a credit union may invest in shares and accounts of a corporate credit union that is federally insured;
4. Removing the requirement that the funds of a credit union must first be used for loans to members, with preference being given to small loans if not all loans can be approved;
5. Removing the requirement that investments in corporate credit unions must not exceed 25.0 percent of the credit unions' shares, undivided earnings and reserves;
6. Removing specific annual board meeting requirements and instead requiring that annual meetings and special meetings be held in accordance with the credit union's bylaws;
7. Removing the requirement that the board of directors must approve all employee salaries;
8. Removing the requirement that people who are denied loans may appeal the denial if the bylaws of the credit union provide for such an appeal;
9. Extending the amount of time a credit union must hold a board meeting after a supervisory committee suspends an officer or member of the credit committee or board of directors from within seven to 21 days after the suspension to within 60 days after the suspension;

10. Remove the authority of the supervisory committee to call a meeting of shareholders by a majority vote to consider any violation of the State Credit Union Code which is unsafe and unauthorized;
11. Remove the requirement that the supervisory committee must certify all members' accounts using a controlled certification of all members' accounts at least once every two years or a controlled random statistical sampling of members' accounts at least once a year;
12. Clarifying that corporate credit unions must comply with the reserve requirements of the National Credit Union Administration rules and regulations;
13. Removing the requirement that, without written approval of the credit union administrator, expenditures to lease, hold, or rent real estate as well as make capital improvements cannot exceed 5.0 percent of the total shareholdings, reserves, and undivided earnings of the credit union;
14. Requiring that credit unions notify the administrator within one month after an agreement to sell assets is signed if those assets are greater than 10.0 percent of either the purchasing or selling credit union's total amount of shares, undivided earnings and reserves;
15. Removing requirements that the credit union administrator must establish an annual salary for financial examiners, financial examiner administrators, case managers, a business manager, and an administrative assistant based on an equitable salary schedule approved by the Governor;
16. Removing requirements that the salary schedule cannot exceed the average compensation of corresponding state regulatory positions in similar areas;
17. Requiring entities that are not organized under the State Credit Union Code that misrepresent themselves as a credit union in a website URL to be guilty of a class A misdemeanor; and
18. Requiring a credit union that sells assets valued at an amount greater than 10.0 percent of either the purchasing credit union's or the selling credit union's total amount of shares, undivided earnings and reserves, to file a copy of the agreement with the administrator within one month of signing the agreement.

The bill would remove provisions regarding the board of directors' general management of credit unions and replace them with provisions requiring it to:

1. Set the par value of shares of the credit union and the minimum of shares required for membership;
2. Designate persons or positions authorized to execute or certify documents or records on behalf of the credit union;
3. Authorize the purchase of fidelity and insurance coverage as well the employment and compensation of the chief executive officer;
4. Approve an annual operating budget for the credit union;
5. Review and approve an annual audit;
6. Appoint any necessary committees;

7. Establish conditions that justify removal of a member;
8. Establish policies under which the credit union may borrow, lend, and invest money;
9. Act upon applications for membership;
10. Establish loan policies and determine loan amounts and conditions for members;
11. Declare dividends on shares and set interest rates on deposits;
12. Approve the charge-off of credit union losses.

The bill would also change the definition of a “corporate credit union” to mean a credit union that is cooperatively organized and owned by its members that offers liquidity, investment, back office processing, deposit and lending facilities and other products and services tailored to the unique needs of its members. In addition, the bill would add definitions for “credit union services organization,” “federal intermediate credit bank,” and “electronic notice.”

According to the Department of Credit Unions, enactment of HB 2021 would have no fiscal effect on the agency.

Sincerely,

A handwritten signature in black ink, appearing to read "L. L. Campbell", written in a cursive style.

Larry L. Campbell
Director of the Budget

cc: Jerel Wright, Credit Unions