

HOUSE BILL No. 2101

By Committee on Financial Institutions and Pensions

1-29

1 AN ACT concerning financial institutions; relating to credit unions;
2 enacting the state credit union code; amending K.S.A. 17-2201, 17-
3 2203, 17-2204a, 17-2207, 17-2209, 17-2214, 17-2215, 17-2217, 17-
4 2226, 17-2229, 17-2230, 17-2231 and 17-2268 and K.S.A. 2018 Supp.
5 17-2202, 17-2204, 17-2206, 17-2208, 17-2210, 17-2211, 17-2216, 17-
6 2216a, 17-2219, 17-2221a, 17-2228, 17-2233, 17-2234, 17-2246 and
7 17-2263 and repealing the existing sections; also repealing K.S.A. 17-
8 2224, 17-2225 and 17-2242.

9
10 *Be it enacted by the Legislature of the State of Kansas:*

11 New Section 1. Article 22 of chapter 17 of the Kansas Statutes
12 Annotated, and amendments thereto, shall be known and may be cited as
13 the state credit union code.

14 Sec. 2. K.S.A. 17-2201 is hereby amended to read as follows: 17-
15 2201. (a) Any seven persons; *who are* residents of the state of Kansas; may
16 apply to the administrator of the credit union department for permission to
17 organize a credit union by signing in duplicate a certificate of organization
18 and entering into articles of incorporation, in which they shall bind
19 themselves to comply with its requirements and with all the laws, rules and
20 regulations applicable to credit unions. The articles of incorporation shall
21 set forth:

22 (1) The name of the proposed credit union, which shall contain the
23 words "credit union" and shall not be the same as that of any other credit
24 union in this state.

25 (2) The names and addresses of the subscribers to the articles of
26 incorporation, and the number of shares subscribed by each.

27 (3) A statement that organization as a credit union is desired under
28 ~~this particular law~~ *the state credit union code*, the par value of the shares
29 and the manner in which the par value of shares may be changed from
30 time to time.

31 (4) The address, which shall include the street, number, city and
32 county of the corporation's registered office in this state and the name of
33 its resident agent at such address.

34 (b) At the time of filing the articles of incorporation with the
35 administrator, the organizers shall submit, in duplicate, sets of bylaws
36 which shall provide:

1 (1) The date of the first annual meeting, the manner in which
2 subsequent annual meeting dates shall be determined, the manner of
3 notification of meetings and conducting the meetings, the number of
4 members constituting a quorum and regulations as to voting.

5 (2) The number of directors, which shall not be less than five, all of
6 whom must be members, their powers and duties, together with the duties
7 of officers elected by the board of directors.

8 (3) The qualifications for membership.

9 (4) The number of members of the credit committee and of the
10 supervisory committee, ~~which shall not be less than three each, together~~
11 ~~with and~~ their respective powers and duties.

12 (5) The conditions under which shares may be issued.

13 (c) The administrator shall approve the articles of incorporation, if
14 they are in conformity with this act and the bylaws, if satisfied that the
15 proposed field of operation is favorable to the success of such credit union,
16 and that the standing of the proposed organizers is such as to give
17 assurance that its affairs will be properly administered. If the administrator
18 approves the articles of incorporation, the administrator shall issue to the
19 proposed organizers a certificate of approval annexed to the duplicate of
20 the articles of incorporation and of the bylaws. The articles of
21 incorporation, with the certificate of approval annexed, shall be executed
22 and filed and become effective in the manner prescribed in the general
23 corporation code. The copy of the articles of incorporation filed with the
24 secretary of state shall be accompanied by the fee prescribed by K.S.A. ~~47-~~
25 ~~7502~~ 17-7506, and amendments thereto. The articles of incorporation of
26 any credit union approved as provided in this section by the secretary of
27 state in the same manner as other domestic corporations are approved
28 whether or not acted upon by the charter board.

29 Sec. 3. K.S.A. 2018 Supp. 17-2202 is hereby amended to read as
30 follows: 17-2202. (a) Amendments of the bylaws may be adopted and
31 amendments of the charter may be requested by the membership pursuant
32 to K.S.A. 17-2207, and amendments thereto, ~~or by the affirmative vote of~~
33 ~~$\frac{2}{3}$ of the authorized number of members of the board of directors upon~~
34 *approval of the board of directors* at any duly held meeting, if the
35 members of the board have been given prior written notice of the meeting
36 and the notice has contained a copy of the proposed amendment or
37 amendments.

38 (b) Except as provided in paragraphs (1) and (2), no amendment to
39 the bylaws shall become operative until approved by the administrator in
40 writing, and until a certified copy has been filed as original bylaws are
41 filed.

42 (1) If the administrator disapproves any proposed amendment, the
43 credit union may appeal the decision in accordance with the Kansas

1 administrative procedure act.

2 (2) Any proposed amendment shall be deemed to be approved if the
3 administrator has not acted upon such proposed amendment within 60
4 calendar days of the date of receipt thereof by the administrator.

5 Sec. 4. K.S.A. 17-2203 is hereby amended to read as follows: 17-
6 2203. (a) Only credit unions organized under the provisions of the ~~act of~~
7 ~~which this act is amendatory~~ *state credit union code*, credit unions
8 organized pursuant to federal law, an association of credit unions, or an
9 organization, corporation or association whose membership or ownership
10 is restricted to credit unions or credit union organizations may use any
11 name, *a website URL* or title ~~which~~ *that* contains the words "credit union"
12 or any derivation thereof.

13 (b) Any other use by any person, copartnership, association or
14 corporation of any name, *or website URL* or title ~~which~~ *that* contains the
15 words "credit union" or any derivation thereof and any misrepresentation
16 as a credit union or conducting of business as a credit union by such
17 entities shall be a class A misdemeanor and punishable as such. The
18 administrator, any credit union or any organization, corporation or
19 association of credit unions described in subsection (a) ~~of this section~~
20 petition a court of competent jurisdiction to enjoin a violation of this
21 section.

22 Sec. 5. K.S.A. 2018 Supp. 17-2204 is hereby amended to read as
23 follows: 17-2204. A credit union shall have the following powers:

24 (a) ~~¶~~ *A credit union* may receive the savings of its members in
25 payment for shares, make contracts, sue and be sued, and provide
26 negotiable checks, money orders, ~~travelers checks~~, any other money type
27 instruments or transfer methods, safe deposit boxes or similar safekeeping
28 facilities to its members.

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

32 (c) ~~¶~~ *A credit union* may invest, ~~through its board of directors and~~
33 under written investment policies established by the board:

34 (1) In all types of shares and accounts of a corporate credit union,
35 ~~located in the state of Kansas and under the supervision of the~~
36 ~~administrator that is federally insured;~~

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

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

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

7 (5) in savings banks, state banks, trust companies and national banks,
8 the accounts of which are insured by an insurer approved by the state in
9 which ~~it~~ *the savings bank, state bank, trust company or national bank*
10 operates for guaranteeing the shares or accounts of such institutions.

11 ~~(6) Unless the administrator authorizes otherwise, the funds of the~~
12 ~~credit union shall be used first for loans to members and preference shall~~
13 ~~be given to the smaller loans in the event the available funds do not permit~~
14 ~~all loans which have been approved by a loan officer or have passed the~~
15 ~~credit committee to be made.~~

16 (d) ~~A~~ *credit union* may enter into agreements with financial
17 institutions or organizations for the extension of credit or debit services.

18 (e) ~~A~~ *credit union* may do all things necessary to obtain, continue,
19 pay for and terminate insurance of its shares and share certificates with the
20 national credit union share insurance fund or its successor. A credit union
21 also may do all things necessary to obtain, continue, pay for and terminate
22 private insurance coverage of its shares and share certificates in excess of
23 the coverage for such shares and share certificates provided by the national
24 credit union share insurance fund or its successor. Such excess coverage
25 shall be obtained from an insurer approved by the commissioner of
26 insurance.

27 (f) ~~A~~ *credit union* may receive from its members or other insured
28 credit unions payments on shares and share certificates and may invest its
29 funds in shares, share certificates or other accounts of insured credit
30 unions. ~~Except for investments in corporate credit unions, such~~
31 ~~investments may not exceed 25% of the investing credit unions' shares,~~
32 ~~undivided earnings and reserves.~~

33 (g) A corporate credit union, as defined by ~~subsection (e) of~~ K.S.A.
34 17-2231(e), and amendments thereto, may buy and sell investment
35 securities, as defined by the administrator, but the total amount of such
36 investment securities of any one obligor or maker held by such credit
37 union shall at no time exceed 15% of the shares, undivided earnings and
38 reserves of the credit union, except that this limit shall not apply to
39 obligations of the United States government or any agency thereof.

40 (h) Credit unions may enter into agreements to discount or sell
41 student loans made pursuant to federally insured student loan programs
42 under ~~public law~~ *Pub. L. No. 89-329*, title IV part (b) of the higher
43 education act of 1965 as amended.

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

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

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

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

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

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

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

41 Sec. 6. K.S.A. 17-2204a is hereby amended to read as follows: 17-
42 2204a. (a) Notwithstanding any other provision contained in the laws of
43 this state providing for investments by credit unions, such credit unions

1 may invest, ~~through their board of directors and~~ under written investment
2 policies established by the board, in the bonds, debentures or other similar
3 obligations issued under the authority of and pursuant to the act of
4 congress known as the farm credit act of 1971, as amended. The total
5 amount of such bonds, debentures or other similar obligations of any one
6 obligor or maker shall at no time exceed 15% of the shares, undivided
7 earnings and reserves of the credit union.

8 (b) Subject to rules and regulations of the administrator, credit unions
9 may invest in a credit union services organization, ~~through their board of~~
10 ~~directors and~~ under written investment policies established by the board, if
11 the credit union services organization is structured as a corporation,
12 limited liability company or limited partnership. Subject to rules and
13 regulations of the administrator, credit unions may make loans to such
14 credit union services organization, except that any such investment in or
15 loans to such credit union services organization shall not exceed, in the
16 aggregate, 2% of the credit union's ~~unimpaired shares, undivided earnings~~
17 ~~and reserves and undivided earnings~~. "Credit union services organization"
18 means an organization established to provide operational and financial
19 services primarily to credit unions.

20 (c) Subject to written guidelines issued by the administrator, a credit
21 union may invest its funds, ~~through its board of directors and~~ under written
22 investment policies established by the board, in investment securities
23 defined by the administrator. Except for obligations of wholly owned
24 government corporations, or obligations ~~which that~~ provide a return of
25 principal and interest ~~which that~~ is guaranteed by an agency of the federal
26 government, the total amount of such investment securities of any one
27 obligor or maker held by the credit union shall at no time exceed 15% of
28 the shares, undivided earnings and reserves of the credit union.

29 (d) Except as provided in ~~subsection (g) of~~ K.S.A. 17-2204, and
30 amendments thereto, a credit union is prohibited from participating
31 directly or indirectly in: (1) The purchase or sale of a standby
32 commitment; (2) a futures contract; (3) ~~in~~ adjusted trading; or (4) ~~in~~ a short
33 sale of a security. A credit union's directors, officials, committee members
34 and employees, and immediate family members of such individuals, may
35 not receive pecuniary consideration in connection with the making of an
36 investment or deposit by the credit union.

37 (e) Nothing contained in this section shall be construed to prohibit
38 any funds of a credit union from being invested as now provided by law.

39 Sec. 7. K.S.A. 2018 Supp. 17-2206 is hereby amended to read as
40 follows: 17-2206. (a) Credit unions shall be subject to the exclusive
41 supervision of the administrator and shall make and keep current such
42 books and records, prepare reports and establish plans and programs
43 concerning the safety and soundness of the credit union as may be required

1 by rules and regulations adopted by the administrator and shall make a
2 report of condition to the administrator at least semiannually, on blank
3 forms to be supplied by the administrator, notice of which reports shall be
4 sent out by the administrator. Returns shall be verified under oath of the
5 president or chairperson of the board, ~~whichever~~ *whomever* has been
6 elected by the board of directors pursuant to K.S.A. 17-2209, and
7 amendments thereto, and treasurer, and additional reports may be required
8 by the administrator. Copies of a current balance sheet shall be furnished
9 without charge by the administrator to any person upon request. Any credit
10 union ~~which~~ *that* neglects to make the above reports shall ~~forfeit to the~~
11 ~~treasurer of the state~~ *be fined* up to \$50 for each day of such neglect at the
12 discretion of the administrator.

13 (b) Each credit union shall be examined at least once every 18 months
14 by the administrator or the administrator's duly authorized deputy or agent.
15 In lieu of any particular examination, the administrator may accept an
16 examination report made by or under the authority of the national credit
17 union administration or its successor or successors, by any such other
18 appropriate federal agency or by an independent auditor or certified public
19 accountant licensed to do business in the state of Kansas if such audit and
20 report meet the standards ~~which~~ *that* the administrator may ~~by regulation~~
21 ~~promulgate~~ *adopt by rules and regulations*. The administrator may order
22 other examinations, and the administrator's agents shall at all times be
23 given free access to all books, papers, securities and other sources of
24 information ~~in~~ *with* respect to the credit union. The administrator shall
25 have the power to subpoena witnesses, compel their attendance, require
26 the production of evidence, administer oaths and examine any person
27 under oath in connection with any subject relating to a duty imposed upon
28 or a power vested in the administrator. If a credit union neglects to make
29 the required reports or to pay the charges required, including charges for
30 delay in filing reports, for 15 days, the administrator shall notify the credit
31 union of the administrator's intention to revoke the certificate of approval.
32 If the neglect or failure continues for another 15 days, the administrator
33 may revoke the certificate of approval and shall cause one of the
34 administrator's agents to take possession of the business of such credit
35 union and retain possession until such time as the administrator may
36 permit such credit union to resume business or its affairs are finally
37 liquidated.

38 (c) The administrator may issue cease and desist orders or orders for
39 corrective action or both, ~~made over the administrator's official signature,~~
40 ~~having determined if the administrator determines~~ that a credit union is
41 engaged, ~~or has engaged, or is about to engage,~~ in an unsafe or unsound
42 practice, or is violating, ~~or has violated, or is about to violate,~~ any law,
43 rules and regulations or any condition imposed in writing by the

1 administrator or any written agreement made with the administrator.

2 (d) If the administrator determines that a credit union is insolvent, is
3 in a deteriorating condition, as defined in rules and regulations
4 ~~promulgated~~ *adopted* by the administrator, or, within a reasonable time,
5 has failed to comply with any order mailed to the last address filed by the
6 credit union with the administrator, the administrator, as conservator or
7 liquidating agent, pursuant to any order shall immediately, or within a
8 reasonable time thereafter, take possession of or appoint an agent to take
9 possession of the business and property of the credit union and retain
10 possession, as conservator or as liquidating agent, until such time as the
11 administrator may permit it to resume business or its affairs are finally
12 liquidated.

13 (e) The administrator may approve an emergency merger in
14 accordance with K.S.A. 17-2228, and amendments thereto, without regard
15 to field of membership or other legal restraints. The credit union to be
16 merged shall have a current CAMEL rating of 4 or 5, or the recognized
17 regulatory equivalent thereof as defined in rules and regulations
18 promulgated by the administrator, and be determined to be
19 undercapitalized in accordance with regulatory standards as determined by
20 the administrator by rules and regulations. The field of membership of the
21 merged credit union will be retained by the continuing credit union
22 resulting from the merger.

23 (f) Each credit union shall pay to the administrator a fee for
24 examination, established in accordance with this subsection. Prior to June
25 1 of each year, the administrator, after advising the credit union council,
26 shall establish such annual fees as the administrator determines to be
27 sufficient to meet the budget requirements of the department of credit
28 unions for the fiscal year beginning July 1. Such fees shall be due and
29 payable 30 days after receipt of billing from the department of credit
30 unions.

31 (g) For a corporate credit union, the administrator may accept an
32 audit report by a certified public accountant in lieu of the credit union
33 departmental examination of such credit union. If the administrator accepts
34 a certified public accountant audit in lieu of the administrator's
35 examination of such corporate credit union, the administrator may assess
36 such corporate credit union a fee established in accordance with subsection
37 (f).

38 (h) All administrative proceedings instituted or conducted by the
39 administrator pursuant to this act shall be conducted in accordance with
40 the Kansas administrative procedure act, K.S.A. 77-501 et seq., and
41 amendments thereto.

42 (i) The administrator, as conservator or liquidating agent:

43 (1) By operation of law, shall succeed to all rights, titles, powers and

1 privileges of the credit union, and of any member, account holder, officer
2 or director of such credit union with respect to the credit union and the
3 assets of the credit union;

4 (2) shall take over the assets of and operate the credit union with all
5 the powers of the members or shareholders, the directors and the officers
6 of the credit union and shall be authorized to conduct all business of the
7 credit union;

8 (3) may collect all obligations and money due the credit union;

9 (4) may perform all functions of the credit union in the name of the
10 credit union which is consistent with the appointment as conservator or
11 liquidating agent;

12 (5) shall preserve and conserve the assets and property of such credit
13 union;

14 (6) may fix a reasonable amount for compensation of the conservator
15 or liquidating agent as an expense of operation or liquidation of the credit
16 union;

17 (7) may take such actions as may be necessary to put the credit union
18 in a sound and solvent condition;

19 (8) may take such action as may be appropriate to carry on the
20 business of the credit union and preserve and conserve the assets and
21 property of the credit union; and

22 (9) as liquidating agent, place the credit union in liquidation and
23 proceed to realize upon the assets of the credit union and liquidate such
24 credit union in accordance with the provisions of K.S.A. 17-2230, and
25 amendments thereto.

26 (j) A credit union approved to do business in this state under K.S.A.
27 17-2223a, and amendments thereto, shall pay to the administrator the same
28 fees for examination that a state-chartered credit union is required to pay
29 under the provisions of subsection (f). Such fees shall be paid in
30 accordance with the provisions of subsection (f).

31 Sec. 8. K.S.A. 17-2207 is hereby amended to read as follows: 17-
32 2207. The credit union fiscal year shall end at the close of business on
33 December 31. ~~Special meetings of the members may be held by order of~~
34 ~~the board of directors or the supervisory committee and shall be held on~~
35 ~~request of 10% of the members. At all meetings each member shall have~~
36 ~~but one vote, irrespective of the number of shares held. The number of~~
37 ~~members constituting a quorum for any meeting shall be as specified in the~~
38 ~~bylaws. No member may vote by proxy, but a member may vote by~~
39 ~~absentee or mail ballot if the bylaws of the credit union so allow. A society,~~
40 ~~association, copartnership or corporation having membership in a credit~~
41 ~~union may be represented by one person, duly authorized by the society,~~
42 ~~association, copartnership, or corporation to represent it. At any meeting~~
43 ~~the members may decide on any matter of interest to the credit union, may~~

1 overrule the directors, and, by a ³/₄ vote of those present, may amend the
2 bylaws, providing the notice of the meeting shall have stated the question
3 to be considered. *The annual meeting and any special meetings of the*
4 *members of the credit union shall be held in accordance with the credit*
5 *union's bylaws.*

6 Sec. 9. K.S.A. 2018 Supp. 17-2208 is hereby amended to read as
7 follows: 17-2208. (a) Annually the members of the credit union shall elect
8 members of a board of directors as shall be provided in the bylaws. The
9 bylaws shall state the manner of appointment or election of a supervisory
10 committee. If the bylaws provide for a credit committee, the credit
11 committee may be appointed by the board of directors or elected by the
12 members of the credit union. All directors and committee members shall
13 be chosen from the membership. ~~They~~ *Directors and committee members*
14 *shall hold their several offices* *office* for such terms as may be provided in
15 the bylaws ~~and until their successors are elected or appointed and~~
16 ~~qualified.~~

17 (b) One member of the supervisory committee may be a director
18 other than the treasurer. Regular terms of supervisory committee members
19 shall be for such term as shall be provided in the bylaws and until the
20 selection and qualification of their successors.

21 (c) All members of the board and committees and all officers shall be
22 sworn and shall hold their several offices for such terms as may be
23 provided in the bylaws. The oath shall be subscribed by the individual
24 taking it and certified by the officer before whom it is taken and shall
25 immediately be transmitted to the administrator and filed and preserved in
26 the administrator's office.

27 (d) The board of directors may suspend *or remove* any or all members
28 of the credit and supervisory committees for failure to perform their duties.
29 *Any vacancy shall be filled in accordance with the credit union's bylaws.*

30 ~~(1) If the bylaws provide for the election of committee members, the~~
31 ~~suspension shall be effective until the next meeting of the members of the~~
32 ~~credit union, which meeting shall be held not less than seven nor more~~
33 ~~than 21 days after such suspension and at which meeting such suspension~~
34 ~~shall be acted upon by the members of the credit union.~~

35 ~~(2) If the bylaws provide for appointment of the committee members,~~
36 ~~the suspension shall be effective until acted upon by the board at the next~~
37 ~~regular or special meeting of the board, which meeting shall be held not~~
38 ~~less than seven nor more than 21 days after such suspension.~~

39 ~~(e) Any person suspended shall have the right to appear and be heard~~
40 ~~at the meeting.~~

41 Sec. 10. K.S.A. 17-2209 is hereby amended to read as follows: 17-
42 2209. (a) At the first meeting and at each first meeting in the fiscal year
43 following the annual meeting of the credit union, the board of directors

1 shall elect from their own number an executive officer who may be
2 designated as chairperson of the board or president, a vice-chairperson of
3 the board or one or more vice-presidents, a treasurer and a secretary, of
4 whom the last two may be the same individual, and the persons so elected
5 shall be the executive officers of the corporation. ~~The board of directors
6 may employ an officer in charge of operations whose title shall be either
7 president or general manager; or, in lieu thereof, the board of directors
8 may designate the treasurer or an assistant treasurer to act as the officer in
9 charge of operations and be in active charge of the affairs of the credit
10 union.~~

11 (b) ~~The board of directors shall have the general management of the
12 affairs, funds and records of the corporation, and unless they shall be
13 specifically reserved to the members it shall be the special duty of the
14 directors.~~

15 (1) ~~To act upon all applications for membership and on the exclusion
16 of members. The board of directors may, however, delegate authority to a
17 membership officer or officers to approve applications for membership
18 under such conditions as it prescribes not inconsistent with the bylaws or
19 law of the state. The membership officer or officers may approve but not
20 reject, applications for membership. All unapproved applications shall
21 pend until the board acts upon them.~~ *Set the par value of shares, if any, of
22 the credit union.*

23 (2) ~~To determine, from time to time, rates of interest which shall be
24 charged on loans and to authorize interest refunds, if any, on such classes
25 of loans and under such conditions as the board prescribes.~~ *Set the minimum
26 of shares, if any, required for membership.*

27 (3) ~~To acquire surety bonds, the amount and type of which shall be
28 subject to the administrator's approval.~~ *Designate those persons or
29 positions authorized to execute or certify documents or records on behalf
30 of the credit union.*

31 (4) ~~To fix the maximum number of shares which may be held by, and
32 the maximum or minimum amount which may be loaned to, any one
33 member; to establish the policies of the credit union with respect to the
34 granting of loans and the extending of lines of credit; to set such limits and
35 balances as required for services which are to be applicable to all members
36 in a category; and to recommend or approve amendments to the
37 bylaws.~~ *Authorize the purchase of adequate fidelity and insurance coverage
38 for officers, directors, committee members and employees and for losses
39 caused by persons outside the credit union for which the credit union may
40 be liable.*

41 (5) ~~To fill vacancies on the board of directors and credit committee
42 until the election and qualification of successors and to fill vacancies in the
43 supervisory committee if the bylaws so allow.~~ *Authorize the employment*

1 *and compensation of the chief executive officer.*

2 ~~(6) To have charge of the investment of funds of the credit union,~~
 3 ~~other than loans to members, except that the board may designate an~~
 4 ~~investment committee or any qualified individual to have charge of~~
 5 ~~investments under conditions established by the board; to authorize~~
 6 ~~donations for civic, charitable, scientific, literary or educational purposes;~~
 7 ~~to set fees and charges for the credit unions' services and to establish~~
 8 ~~policies for their application; and to perform such other duties as the~~
 9 ~~members may, from time to time, authorize.~~*Approve an annual operating*
 10 *budget for the credit union.*

11 ~~(7) To meet at least six times each year with at least one meeting in~~
 12 ~~each quarter-year period.~~*Authorize the conveyance of real property.*

13 ~~(8) Review and approve the annual audit.~~

14 ~~(9) Appoint any committees deemed necessary.~~

15 ~~(10) Establish conditions under which a member may be removed for~~
 16 ~~cause.~~

17 ~~(11) Perform such other duties or authorize any action not~~
 18 ~~inconsistent with the state credit union code.~~

19 ~~(c) In addition, unless delegated, the board shall:~~

20 ~~(1) Establish policies under which the credit union may borrow, lend~~
 21 ~~and invest money to carry on the functions of the credit union.~~

22 ~~(2) Act upon applications for membership in the credit union.~~

23 ~~(3) Establish the loan policies under which loans may be approved.~~

24 ~~(4) Declare dividends on shares and set the rates of interest on~~
 25 ~~deposits.~~

26 ~~(5) Determine the amount that may be loaned to a member, together~~
 27 ~~with the terms and conditions of the loan.~~

28 ~~(6) Approve the charge-off of credit union losses.~~

29 ~~(e) (d) No member of the board of directors or of the credit or~~
 30 ~~supervisory committee shall receive any compensation as a member of the~~
 31 ~~board or committee. The provision of reasonable life, health, accident,~~
 32 ~~disability and similar insurance protection for a director or committee~~
 33 ~~member shall not be considered compensation. Directors and committee~~
 34 ~~members, while on official business of the credit union, may be~~
 35 ~~reimbursed for necessary expenses incidental to the performance of the~~
 36 ~~business. The credit union may compensate any director, committee~~
 37 ~~member or officer for loss of salary or wages due to the performance of~~
 38 ~~business on behalf of the credit union. No salary shall be paid to any~~
 39 ~~officer or other employee of a credit union except such as may have been~~
 40 ~~duly approved by the board of directors.~~

41 ~~(d) If provided for in the bylaws, the board of directors may elect an~~
 42 ~~executive committee of not less than three board members. Such executive~~
 43 ~~committee shall have and be able to execute such powers, duties and~~

1 responsibilities of the board of directors as the bylaws may provide at such
2 times other than regular or special meetings of the board of directors.
3 ~~Meetings of the executive committee shall not be counted to fulfill the~~
4 ~~requirements of paragraph (7) of subsection (b).~~

5 Sec. 11. K.S.A. 2018 Supp. 17-2210 is hereby amended to read as
6 follows: 17-2210. ~~(a)~~ The credit committee, credit manager, or loan officer
7 shall have the general supervision of all loans to members. The credit
8 committee, credit manager or loan officer may approve or disapprove
9 loans, subject to written policies established by the board of directors. The
10 president or general manager or a designee thereof may serve as the credit
11 manager.

12 ~~(b) Any person who is denied a loan by the credit committee, credit~~
13 ~~manager or loan officer, may appeal the denial of such loan to the board of~~
14 ~~directors, if the bylaws of the credit union provide for such appeal. Such~~
15 ~~appeal shall be conducted in the manner provided in the bylaws.~~

16 Sec. 12. K.S.A. 2018 Supp. 17-2211 is hereby amended to read as
17 follows: 17-2211. (a) The supervisory committee shall supervise the acts
18 of the board of directors, credit committee and officers. The supervisory
19 committee may suspend by a $\frac{2}{3}$ vote any officer of the credit union or any
20 member of the credit committee or the board of directors, until the next
21 meeting of the members of the credit union, which meeting shall be held
22 ~~not less than seven nor more than 21~~ *within 60* days after such suspension
23 and at which meeting such suspension shall be acted upon by the members
24 of the credit union. Any person suspended shall have the right to appear
25 and be heard at the meeting.

26 ~~(b) By a majority vote the supervisory committee may call a meeting~~
27 ~~of the shareholders to consider any violation of this act or of the bylaws, or~~
28 ~~any practice of the credit union which, in the opinion of the committee, is~~
29 ~~unsafe and unauthorized.~~

30 ~~(e)~~ The committee shall fill vacancies in their own number until the
31 next annual meeting of the members or vacancies shall be filled in such a
32 manner as is provided in the bylaws.

33 ~~(d)~~(c) Subject to rules and regulations adopted by the administrator,
34 the supervisory committee shall make or cause to be made a thorough
35 annual audit of the receipts, disbursements, income, assets and liabilities of
36 the credit union and shall make a full report to the directors, which report
37 shall be presented at the annual meeting and shall be filed and preserved
38 with the records of the credit union. The supervisory committee shall make
39 or cause to be made such supplementary audits as it deems necessary or as
40 may be ordered by the administrator, and submit reports of the
41 supplementary audits to the board of directors. The administrator may
42 accept in lieu of any required audit, an audit by a certified public
43 accountant or other independent accountant.

1 ~~(e) Subject to rules and regulations adopted by the administrator, the~~
2 ~~supervisory committee shall make, or cause to be made, a certification of~~
3 ~~members' accounts using either of the following methods:~~

4 ~~(1) A controlled certification of 100% of members' accounts at least~~
5 ~~once each two years; or~~

6 ~~(2) a controlled random statistical sampling in accordance with~~
7 ~~American institute of certified public accountants' guidelines which tests~~
8 ~~sufficient accounts in number and scope to assure accuracy of the~~
9 ~~members' accounts at least once each year.~~

10 Sec. 13. K.S.A. 17-2214 is hereby amended to read as follows: 17-
11 2214. (a) Subject to rules and regulations prescribed by the administrator,
12 corporate credit unions shall have the following additional powers to:

13 (1) Provide access for its shareholders on a mutual basis to financial
14 systems and the services and products of financial institutions;

15 (2) provide its shareholders with research and consulting services
16 concerning financial matters, institutions and products;

17 (3) provide financial system support services and facilities;

18 (4) establish and execute financial programs to assist its shareholders
19 in meeting their needs;

20 (5) provide safekeeping or trustee services to or on behalf of its
21 shareholders;

22 (6) issue shares or classes of shares with such terms and conditions as
23 may vary from other shares authorized by this act as the administrator
24 shall approve including, but not limited to, and notwithstanding the
25 provisions of K.S.A. 17-2230, and amendments thereto, the subordination
26 of such shares to other shares of the credit union ~~and the liability for a~~
27 ~~designated class of shares to be reduced in accordance with K.S.A. 17-~~
28 ~~2225, and amendments thereto,~~ without reducing the liability on all other
29 shares, except that, such shares shall have a redemption priority in
30 liquidation or termination of membership no earlier than provided to other
31 shares authorized by this act; and

32 (7) purchase from or sell to its members participation interests in
33 loans made by the corporate credit union or its members.

34 (b) A corporate credit union may lend to each member no more than
35 25% of ~~its~~ *the corporate credit union's* assets, except that other credit
36 unions, operating under the provisions of this act, may lend to each other
37 only with the approval of the administrator, up to 25% of the shares,
38 undivided earnings and reserves of the lending credit union.

39 (c) Subject to written policies adopted by its board of directors and
40 approved by the administrator, a corporate credit union may:

41 (1) Make loans to;

42 (2) receive payments on shares, share certificates or investments in
43 any other account of the corporate credit union from; or

1 (3) invest its funds in shares, stock or obligations of, organizations
 2 established to provide operational and financial services associated with
 3 the routine operations of credit unions.

4 Any investments in the capital stock of or loans to such organizations
 5 shall not exceed, in the aggregate, 2% of such credit union's shares and
 6 unimpaired capital.

7 Sec. 14. K.S.A. 17-2215 is hereby amended to read as follows: 17-
 8 2215. A credit union shall have the power to borrow from any source,
 9 subject to special orders of or in accordance with such rules and
 10 regulations as may be prescribed by the administrator, but the total of such
 11 borrowing shall at no time exceed 50% of the ~~capital, surplus and reserve~~
 12 ~~fund~~ *shares, undivided earnings and reserves* of the borrowing credit
 13 union. Any credit union may discount with or sell to any federal
 14 intermediate credit bank any eligible obligations up to the amount of its
 15 shares and share certificates.

16 Sec. 15. K.S.A. 2018 Supp. 17-2216 is hereby amended to read as
 17 follows: 17-2216. (a) Subject to rules and regulations of the administrator,
 18 a credit union may loan to its members, as provided, for such purposes and
 19 upon such security as the bylaws may provide and the credit committee,
 20 credit manager or duly authorized loan officer shall approve. Loans to
 21 members shall be made in conformity with criteria established by the
 22 board of directors. No loan shall be made in excess of ~~\$500 or~~ 10% of the
 23 credit union's total assets, ~~whichever amount is greater.~~

24 (b) Any loan secured by the insurance or guarantee of, or with
 25 advance commitment to purchase the loan by the federal government, a
 26 state government or any agency of either may be made under the terms and
 27 conditions specified in the law under which such insurance, guarantee or
 28 commitment is provided.

29 Sec. 16. K.S.A. 2018 Supp. 17-2216a is hereby amended to read as
 30 follows: 17-2216a. Subject to rules and regulations of the administrator, a
 31 credit union may make loans to its directors, credit committee members
 32 and supervisory committee members or other members for which the
 33 director or committee member acts as guarantor or endorser who are not
 34 employees only if:

35 (a) Such a loan complies with all lawful requirements under the credit
 36 union law with respect to loans to other borrowers and is not on terms
 37 more favorable than those extended to other borrowers;

38 (b) in the case where, upon the making of the loan, the aggregate of
 39 loans outstanding to the borrower exceeds by ~~\$50,000~~ *\$100,000* the total
 40 amount of shares, share certificates and other shareholdings in any credit
 41 union, not otherwise encumbered or pledged, which are pledged as
 42 security for the loans of the borrower, the loan is approved by the credit
 43 committee or duly authorized loan officer and the board of directors; and

1 (c) the borrower takes no part in the consideration of the application
2 and does not attend any committee or board meeting while the application
3 is under consideration. ~~All such loans shall be reported to the administrator~~
4 ~~at least annually.~~

5 Sec. 17. K.S.A. 17-2217 is hereby amended to read as follows: 17-
6 2217. All entrance fees, transfer fees and charges shall, after the payment
7 of the organization expenses, be known as reserve income, and shall be
8 added to the reserve fund of the credit union. At the close of the fiscal year
9 or each dividend paying period there shall be set apart to the reserve fund,
10 such sums as are provided for in this section.

11 (a) A credit union shall comply with the reserve requirements of the
12 national credit union administration rules and regulations, 12 C.F.R. § 702
13 in effect on the effective date of this act, or any later version as adopted by
14 the administrator in rules and regulations.

15 ~~(b) A corporate credit union, in lieu of other reserve requirements, at~~
16 ~~a minimum, shall set aside an amount equal to the average daily net assets~~
17 ~~of the corporate credit union, as defined by the administrator, multiplied by~~
18 ~~.0005 and then multiplied by the number of days in the transfer period~~
19 ~~divided by 365, until the total amount of the corporate credit union's~~
20 ~~reserves, undivided earnings and membership shares equal 4% of the net~~
21 ~~assets of the corporate credit union. The administrator may decrease the~~
22 ~~amounts required to be set aside by this subsection when in the~~
23 ~~administrator's opinion such decrease is necessary or desirable. A corporate~~
24 ~~credit union shall comply with the reserve requirements of the national~~
25 ~~credit union administration rules and regulations, 12 C.F.R. § 704 in effect~~
26 ~~on the effective date of this act, or any later version as adopted by the~~
27 ~~administrator in rules and regulations.~~

28 (c) The reserve fund shall belong to the credit union and shall be held
29 to meet losses on loans. Other losses may be charged to the reserve fund
30 with prior approval of the credit union administrator. The reserve fund
31 shall not be distributed to the members except upon dissolution of the
32 credit union.

33 Sec. 18. K.S.A. 2018 Supp. 17-2219 is hereby amended to read as
34 follows: 17-2219. (a) Any member may be expelled from the credit union:

35 (1) By a $\frac{2}{3}$ vote of the members present at any regularly called
36 meeting of the membership; or

37 (2) in accordance with the provisions of subsection (b), by the
38 president, general manager or any other credit union employee designated
39 by the board of directors for a member's abuse of member account
40 privileges, a member's act or failure to act which causes financial loss to
41 the credit union, a member's failure to purchase shares and utilize loan or
42 other services of the credit union, or a member's failure to comply with the
43 credit union's adopted policy regarding expulsion. The president or general

1 manager shall report the expulsion of a member at the next regularly
2 scheduled board meeting.

3 (b) The board of directors of a credit union may adopt a policy with
4 respect to expulsion from membership for any reason set forth in
5 subsection (a)(2). If such a policy is adopted, ~~written~~ notice of the policy
6 as adopted and effective date of such policy shall be ~~mailed~~ *provided*
7 each member of the credit union ~~at the member's current address appearing~~
8 ~~on the records of the credit union not less~~ *no fewer* than 30 days prior to
9 the effective date of such policy. In addition, each new member shall be
10 provided ~~written~~ notice of any such policy prior to or upon applying for
11 membership. An expelled member shall be informed of the reason for
12 expulsion and may appeal the expulsion to the board of directors by
13 making a written request to the board of directors within 30 days of the
14 expulsion.

15 (c) A member may withdraw from a credit union, as hereinafter
16 provided, by filing a written notice of such intention. All amounts paid on
17 shares of an expelled or withdrawing member, with any dividends credited
18 to the member's shares to the date of expulsion, or withdrawal, shall be
19 paid to the member, but only as funds become available and after
20 deducting any amounts due to the credit union by the member. All shares
21 of an expelled or withdrawing member, with any interest accrued, shall be
22 paid to the member, subject to 60 days' notice, and after deducting any
23 amounts due to the credit union by the member. The member, when
24 withdrawing shares, shall have no further right in the credit union or to any
25 of its benefits, but such expulsion or withdrawal shall not operate to
26 relieve such member from any remaining liability to the credit union.

27 Sec. 19. K.S.A. 2018 Supp. 17-2221a is hereby amended to read as
28 follows: 17-2221a. (a) After first applying for and obtaining the approval
29 of the administrator, a credit union incorporated under the laws of this
30 state, may establish and operate one or more branches or relocate an
31 existing branch, in accordance with its stated field of membership as
32 approved by the administrator. The application shall include proof of
33 publication of notice that the applicant credit union intends to file or has
34 filed an application to establish a branch or relocate an existing branch.
35 The notice shall be published in a newspaper of general circulation in the
36 county where the applicant credit union proposes to locate the branch. The
37 notice shall be in the form prescribed by the administrator and at a
38 minimum shall contain the name and address of the applicant credit union
39 and the location of the proposed branch. The notice shall be published on
40 the same day for two consecutive weeks.

41 (b) (1) If the credit union has a current CAMEL rating of 3, 4 or 5, or
42 the recognized regulatory equivalent thereof as defined in rules and
43 regulations promulgated by the administrator, the application shall also

1 contain a solicitation for written comments and provide for a comment
2 period of not less than 10 days after the date of the second publication.
3 Upon receipt of the application and following expiration of the comment
4 period, the administrator may hold a hearing in the county in which the
5 applicant credit union seeks to operate the branch. The applicant shall
6 publish notice of the time, date and place of such hearing in a newspaper
7 of general circulation in the county where the applicant credit union
8 proposes to locate the branch, not less than 10 nor more than 30 days prior
9 to the date of the hearing, and proof of publication shall be filed with the
10 administrator. At any such hearing, all interested persons shall be allowed
11 to present written and oral evidence to the administrator, or the
12 administrator's designee, in support of or in opposition to the branch. Upon
13 completion of a transcript of the testimony given at any such hearing, the
14 transcript shall be filed in the office of the administrator.

15 (2) If the administrator determines a public hearing is not warranted,
16 the administrator shall approve or disapprove the application within 15
17 days after receipt of a complete application but not prior to the end of the
18 comment period. If a public hearing is held, the administrator shall
19 approve or disapprove the application within 60 days after consideration of
20 the complete application and the evidence gathered during the
21 administrator's investigation. The period for consideration of the
22 application may be extended if the administrator determines the
23 application presents a significant supervisory concern. If the administrator
24 finds that:

25 (A) There is a reasonable probability of usefulness and success of the
26 proposed branch;

27 (B) the proposed branch is in accordance with the applicant's field of
28 membership approved by the administrator as set forth in K.S.A. 17-2205,
29 and amendments thereto; and

30 (C) the applicant credit union's financial condition is sound, including
31 an analysis of the loan portfolio to ensure that the applicant credit union is
32 not exceeding the limitation on member business loans provided in 12
33 U.S.C.—Section § 1757a, ~~and amendments thereto~~, the new branch or
34 relocation shall be granted, otherwise, it shall be denied.

35 (3) Within 15 days after any final action of the administrator
36 approving or disapproving an application, the applicant, or any adversely
37 affected or aggrieved person who provided written comments during the
38 specified comment period, may request a hearing with the administrator.
39 Upon receipt of a timely request, the administrator may conduct a hearing
40 in accordance with the provisions of the Kansas administrative procedure
41 act. Any decision of the administrator is subject to review in accordance
42 with the Kansas judicial review act.

43 ~~(c) For purposes of this section:~~

1 ~~(1) "Administrator" shall have the meaning ascribed to it in K.S.A.~~
2 ~~17-2233, and amendments thereto.~~

3 ~~(2) "Branch" means any office, agency or other place of business~~
4 ~~located within this state, other than the place of business specified in the~~
5 ~~credit union's certificate of organization, at which deposits are received,~~
6 ~~checks paid, or money lent.~~

7 ~~(d) The administrator may adopt rules and regulations necessary to~~
8 ~~implement this section.~~

9 Sec. 20. K.S.A. 17-2226 is hereby amended to read as follows: 17-
10 2226. (a) Credit unions may purchase, lease, hold or rent real estate and
11 improvements thereon for their current or future use and occupancy.
12 ~~Without the written approval of the administrator, such expenditure shall~~
13 ~~not exceed 5% of total shareholdings, reserves and undivided earnings.~~

14 ~~(b) A credit union may purchase, rent, hold, contract for, acquire or~~
15 ~~lease any material, equipment or service which may be necessary or~~
16 ~~incidental to its operation. The aggregate of all such purchases, rentals,~~
17 ~~holdings, contracts, acquisitions or leases when required by generally~~
18 ~~accepted accounting principles to be entered as an asset or a liability shall~~
19 ~~not exceed, when aggregated with amounts expended pursuant to~~
20 ~~subsection (a) of K.S.A. 17-2226, and amendments thereto, 5% of the~~
21 ~~credit union's shares, reserves and undivided earnings without the written~~
22 ~~approval of the administrator.~~

23 ~~(c) A credit union may rent or lease a portion of its building, fixed~~
24 ~~assets or property and may acquire, lease, hold, assign, pledge, sell or~~
25 ~~otherwise dispose of property or other assets, either in whole or in part,~~
26 ~~necessary or incidental to its operations and purposes.~~

27 Sec. 21. K.S.A. 2018 Supp. 17-2228 is hereby amended to read as
28 follows: 17-2228. Any credit union, with the approval of the administrator,
29 may merge with another credit union under the charter of such other credit
30 union, pursuant to any plan agreed upon by the majority of the board of
31 directors of each credit union joining in the merger, and approved by the
32 members of each such credit union organized under the provisions of this
33 act, either by the affirmative vote of a majority of those members present
34 at a meeting of its members duly called for such purpose or by the
35 affirmative vote in writing of a majority of its members who participate in
36 the vote on the merger plan without a meeting. After such agreement by
37 the directors and approval of the members of each credit union organized
38 under the provisions of this act, the president or chairperson of the board
39 and secretary of each credit union organized under the provisions of this
40 act, shall execute ~~in triplicate~~, a certificate of merger, ~~which that~~ shall set
41 forth ~~all of~~ the following:

42 ~~(a) The time and place of the meeting of the board of directors at~~
43 ~~which the plan was agreed upon;~~

- 1 (b) the vote in favor of adoption of the plan;
- 2 (c) a copy of the resolution or other action by which the plan was
- 3 agreed upon;
- 4 (d) the time and place of the meeting of the members at which the
- 5 plan agreed upon was approved; and
- 6 (e) the vote by which the plan was approved by the members.

7 ~~Such certificates, in triplicate~~ *certificate of merger*, a copy of the plan of
 8 merger agreed upon, and any necessary approvals or consents for a
 9 merging credit union organized under the provisions of any other
 10 jurisdiction shall be forwarded to the administrator. Upon receipt of these
 11 documents, the administrator shall determine whether the merger meets the
 12 statutory requirements for field of membership set forth in K.S.A. 17-
 13 2205, and amendments thereto. If the merger is approved, a copy of the
 14 certificate, certified by the administrator, shall be returned to the merging
 15 credit unions within 30 days. The date of certification of the merger by the
 16 administrator shall constitute the date of approval. Upon any such merger
 17 so effected, all property, property rights and interest of the merged credit
 18 union shall vest in the continuing credit union without deed, endorsement
 19 or other instrument of transfer, and all debts, obligations and liabilities of
 20 the merged credit union shall be deemed to have been assumed by the
 21 continuing credit union under whose charter the merger was effected.

22 This section shall be construed, whenever possible, to permit a credit
 23 union chartered under any other act to merge with one chartered under this
 24 act or to permit one chartered under this act to merge with one chartered
 25 under any other act. The charter of the terminating credit union shall, upon
 26 merger, be canceled and voided by operation of law.

27 Sec. 22. K.S.A. 17-2229 is hereby amended to read as follows: 17-
 28 2229. (a) A credit union may sell all or any part of its assets to another
 29 credit union or it may purchase all or any part of the assets of another
 30 credit union in accordance with this section.

31 (b) The purchasing credit union may assume, as part of the purchase
 32 price, any or all of the liabilities of the selling credit union and may pay
 33 the balance in cash or by the issue of shares to the selling credit union of
 34 the members thereof whether or not such members are members of the
 35 purchasing credit union.

36 (c) The selling credit union shall enter into an agreement with the
 37 purchasing credit union containing the terms and conditions of the sale,
 38 ~~and. If the assets being sold are valued at an amount greater than 10% of~~
 39 ~~either the purchasing credit union's or the selling credit union's total~~
 40 ~~amount of shares, undivided earnings and reserves,~~ the selling credit union
 41 shall ~~within one (1) month after the agreement is signed~~ file a copy thereof
 42 ~~of the agreement~~ with the administrator *within one month after it is signed*.
 43 The agreement shall be approved or disapproved by the administrator

1 within ~~thirty (30)~~ 30 days, otherwise the same shall be deemed approved.

2 (d) ~~If and when the agreement is approved by the administrator, each~~
3 ~~of the credit unions shall submit it to a meeting of its shareholders stating~~
4 ~~the purpose for which the meetings are called.~~

5 (e) ~~If the agreement is approved by the shareholders of each of the~~
6 ~~credit unions by at least three-fourths ($\frac{3}{4}$) vote of the shareholders present~~
7 ~~at each meeting, the secretary of each credit union shall certify on the~~
8 ~~agreement that it has been so approved and shall forward a copy of the~~
9 ~~agreement so certified to the administrator.~~

10 (f) ~~Upon the approval of the shareholders of each of the credit unions,~~
11 ~~the agreement is binding on each of the credit unions and the sale shall~~
12 ~~thereafter be completed as of the effective date specified in the agreement~~
13 ~~which shall be a date subsequent to the approval by the shareholders of~~
14 ~~each of the credit unions.~~

15 (g) ~~In the event the agreement does not specify an effective date, the~~
16 ~~administrator may fix a date upon which it will become effective.~~

17 (h) (e) ~~If the selling credit union has disposed of all assets under the~~
18 ~~agreement, it shall cease to carry on business on the effective date of~~
19 ~~agreement, except for the purpose of winding up its affairs, and it shall~~
20 ~~dissolve as soon as possible thereafter, and all reserves shall go to the~~
21 ~~purchasing credit union under the terms and conditions of the agreement.~~

22 Sec. 23. K.S.A. 17-2230 is hereby amended to read as follows: 17-
23 2230. (a) *Voluntary*. At a meeting especially called to consider the matter, a
24 majority of the entire membership may vote to dissolve the credit union,
25 provided a copy of the notice was mailed to the administrator at least 10
26 days prior thereto. Any member not present at such meeting may, within
27 the next 20 days, vote in favor of dissolution by signing a statement in
28 form approved by the administrator and such vote shall have the same
29 force and effect as if cast at such meeting. The credit union shall thereupon
30 immediately cease to do business except for the purposes of liquidation,
31 and the executive officer of the board and secretary of the board shall,
32 within five days following such meeting, notify the administrator of
33 intention to liquidate and shall include a list of the names of the directors
34 and officers of the credit union together with their addresses. Any credit
35 union which has voted to enter into voluntary dissolution may by action of
36 its board of directors make a written application to the administrator for
37 the appointment of a liquidating agent and the administrator shall then
38 exercise such powers of appointment, control and supervision of a
39 liquidating agent as is provided in K.S.A. 17-2206, and amendments
40 thereto, and liquidate such credit union in accordance with the provisions
41 of this section.

42 (b) *Involuntary*. If it shall appear that any credit union is insolvent, or
43 that it has violated any of the provisions of this act, the administrator may

1 order such credit union to correct such condition and shall grant it a
2 reasonable time under the circumstances of the case within which to
3 comply, and failure to do so shall afford grounds for revocation of the
4 corporate charter or the appointment of a conservator. When the
5 administrator finds that a credit union is insolvent, the administrator,
6 pursuant to order, shall become the conservator and may appoint an agent
7 and require the agent to give such bond as the administrator deems proper.
8 The administrator also shall fix reasonable compensation for the agent but
9 the same shall be subject to approval of the district court of the county
10 wherein such credit union is located upon application of any party in
11 interest. The administrator may appoint as agent any person, ~~the Kansas~~
12 ~~credit union league~~, or the insurer or guarantee corporation required under
13 K.S.A. 17-2246, and amendments thereto, for the credit union involved.
14 Upon an order of the administrator to liquidate such credit union, such
15 agent shall follow the liquidation procedure set out herein. Any agent
16 appointed shall make a complete report to the administrator covering the
17 acts and proceedings as such agent. The administrator may remove any
18 agent, with or without cause, and appoint a successor. The agent, under the
19 direction of the administrator, shall take charge of any insolvent credit
20 union and all of its assets and property and liquidate the affairs and
21 business for the benefit of its creditors and shareholders as provided in this
22 section. The agent may sell or compound all bad and doubtful debts and
23 sell all the property of any such credit union upon such terms as the
24 administrator shall approve. The administrator shall have the general
25 supervision of all the acts of the agent. All claims of creditors and
26 shareholders must be filed with the agent within one year after the date of
27 the agent's appointment, and if any shareholder claim or creditor claim is
28 not so filed then it shall be barred from participation in the estate and
29 assets of any such credit union. The agent of any insolvent credit union
30 may borrow money and pledge the assets of such insolvent credit union
31 but only upon prior written approval of the administrator. At least once
32 each year the administrator shall examine every credit union in the hands
33 of an agent and copies of such examination reports shall be available to
34 any interested shareholder or creditor by written request made to the
35 administrator. Every agent shall submit the records and affairs of such
36 credit union to an examination by the administrator or the administrator's
37 assistant and examiners whenever the agent is requested to do so. The
38 agent of any credit union shall make reports to the administrator in the
39 same manner as required of other credit unions.

40 (c) *Liquidating procedure.* The credit union shall continue in
41 existence for the purpose of discharging its debts, collecting and
42 distributing its assets, and doing all acts required in order to wind up its
43 business and may sue and be sued for the purpose of enforcing such debts

1 and obligations until its affairs are fully adjusted.

2 The board of directors, or the liquidating agent shall use the assets of
3 the credit union to pay in the following order: (1) Expenses incidental to
4 liquidation including any surety bond that may be required; (2) remaining
5 liabilities other than shareholdings; and (3) the assets then remaining, if
6 any, shall be distributed to the savings held by each member or other
7 shareholder as of the date dissolution was voted.

8 As soon as the board or the liquidating agent determines that all assets
9 from which there is a reasonable expectancy of realization have been
10 liquidated and distributed as set forth in this section, they shall execute a
11 certificate of dissolution on a form prescribed by the administrator and file
12 same with the register of deeds of the county wherein the credit union had
13 its registered office, who shall, after recording and indexing same, forward
14 it to the administrator, whereupon such credit union shall be dissolved. The
15 administrator shall furnish a copy of the certificate of dissolution to the
16 secretary of state.

17 Sec. 24. K.S.A. 17-2231 is hereby amended to read as follows: 17-
18 2231. The following words and terms used in chapter 17; of article 22 of
19 the Kansas Statutes Annotated, *and amendments thereto*, shall have the
20 meanings respectively ascribed to them in this section. (a) "Council"
21 means the credit union council created by this act.

22 (b) "Administrator" means the credit union administrator provided for
23 in K.S.A. 17-2233, and amendments thereto.

24 (c) "Credit union" means a cooperative, ~~nonprofit~~ *not-for-profit*
25 association, incorporated for the purpose of creating a source of credit at a
26 fair and reasonable rate of interest, of encouraging habits of thrift among
27 its members, and of providing the opportunity for people to use and
28 control their money for their mutual benefit.

29 (d) "Department" or "credit union department" means the state
30 department of credit unions established by K.S.A. 17-2234, and
31 amendments thereto.

32 (e) "Corporate credit union" means a credit union ~~in which no~~
33 ~~individual may purchase more than \$5 share and from which no individual~~
34 ~~may borrow money. "Individual" as used in this subsection shall mean~~
35 ~~natural persons only that is cooperatively organized and owned by its~~
36 ~~members that offers liquidity, investment, back office processing, deposit~~
37 ~~and lending facilities and other products and services tailored to the~~
38 ~~unique needs of its members.~~

39 (f) "~~Nonprofit~~ *Not-for-profit* association" means, for purposes of this
40 act, an association whose individual operations are not intended to
41 generate, in the aggregate, an excess of revenues over the sum of expenses,
42 distribution returns to members, appropriate reserves and capital that are
43 consistent with the credit union's purposes and measured on an ongoing

1 basis of the credit union as a whole.

2 (g) "Low-income credit union" means a credit union with a field of
3 membership in which more than one-half earn less than 80% of the
4 national median household income; or the credit union may document that
5 more than 50% of its members make less than 80% of the national average
6 wage.

7 (h) "*Credit union services organization*" means an organization
8 established to provide operational and financial services to credit unions.

9 (i) "*Federal intermediate credit bank*" means a bank sponsored by
10 the federal government to provide funds to financial institutions for the
11 making of agricultural loans.

12 (j) "*Electronic notice*" means notice that is provided in writing and
13 delivered by electronic means to the electronic mail address specified by
14 the member for that purpose. A member who provides an electronic mail
15 address to the credit union for such purposes shall be deemed to have
16 consented to receive notices and correspondence by electronic means.

17 (k) "*Branch*" means any office, agency or other place of business
18 located within the state, other than the place of business specified in the
19 credit union's certificate of organization, at which deposits are received,
20 checks paid or money lent.

21 Sec. 25. K.S.A. 2018 Supp. 17-2233 is hereby amended to read as
22 follows: 17-2233. The credit union administrator shall be appointed by the
23 governor, subject to confirmation by the senate as provided in K.S.A. 75-
24 4315b, and amendments thereto. Except as provided by K.S.A. 46-2601,
25 and amendments thereto, no person appointed as administrator shall
26 exercise any power, duty or function as administrator until confirmed by
27 the senate. Any person appointed as the administrator shall have at least
28 three years' actual, practical experience in the operation and management
29 of a credit union. The administrator shall not be a member of the council.
30 The governor shall fix the compensation of the administrator. In addition,
31 the administrator shall be entitled to receive the actual and necessary
32 expenses incurred in the performance of the administrator's duties. The
33 administrator shall be in the unclassified service under the Kansas civil
34 service act. ~~The term of office of the administrator holding office on the~~
35 ~~effective date of this act shall expire on December 31, 2009. Thereafter,~~
36 The administrator shall be appointed for a term of four years and until a
37 successor is appointed and confirmed. If a vacancy occurs, the governor
38 shall appoint a successor to fill the vacancy for the unexpired term. The
39 administrator shall attend the meetings of the council and shall have the
40 general charge of the work of the council and the general supervision of
41 credit unions. The administrator shall keep a permanent record of all
42 meetings and proceedings of the council ~~at the office of the administrator.~~

43 Sec. 26. K.S.A. 2018 Supp. 17-2234 is hereby amended to read as

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

8 (2) The administrator is hereby authorized to appoint financial
9 examiners and ~~an administrative assistant~~ *other staff* who shall be in the
10 unclassified service under the Kansas civil service act ~~and shall receive an~~
11 ~~annual salary fixed by the administrator in accordance with an equitable~~
12 ~~salary schedule established by the administrator and approved by the~~
13 ~~governor for all unclassified positions. The average of the salaries shall not~~
14 ~~exceed the average compensation of corresponding state regulatory~~
15 ~~positions in similar areas. The administrator's salary schedule for~~
16 ~~unclassified positions shall be reported to the credit union council~~
17 ~~annually.~~

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

21 (c) ~~(1) Subject to the provisions of the appropriation acts, the~~
22 ~~administrator may appoint financial examiners, financial examiner~~
23 ~~administrators, case managers and a business manager within the~~
24 ~~department of credit unions as determined necessary by the administrator~~
25 ~~to effectively carry out the mission of the department. Each financial~~
26 ~~examiner, financial examiner administrator, case manager or business~~
27 ~~manager appointed after the effective date of this act shall be in the~~
28 ~~unclassified service under the Kansas civil service act, shall have special~~
29 ~~training and qualifications for such positions, shall serve at the pleasure of~~
30 ~~the administrator and shall receive compensation in accordance with an~~
31 ~~equitable salary schedule established by the administrator and approved by~~
32 ~~the governor for all unclassified positions. The administrator shall prepare~~
33 ~~and maintain an equitable salary schedule for such appointed positions.~~

34 (2) ~~The average of the amount of compensation in the administrator's~~
35 ~~salary schedule for such appointed positions in the unclassified service~~
36 ~~shall not exceed the average compensation of corresponding state~~
37 ~~regulatory positions in similar areas. The administrator's salary schedule~~
38 ~~for unclassified positions shall be reported to the credit union council~~
39 ~~annually.~~

40 (d) Each special assistant, deputy, examiner and other such
41 employees as may be necessary for the purpose of administering and
42 enforcing the provisions of this act shall submit to a security background
43 check prior to being employed in such position. Upon the commencement

1 of the interview process, every candidate shall be given a written notice
2 that a security background check is required. The security background
3 check shall be limited to criminal history record information as provided
4 by K.S.A. 22-4701 et seq., and amendments thereto. If the criminal history
5 record information reveals any conviction of crimes of dishonesty, such
6 conviction may be used to disqualify a candidate for any position within
7 the office of the department of credit unions. If the criminal history record
8 information is used to disqualify a candidate, the candidate shall be
9 informed in writing of that decision. Upon determining whether to hire or
10 disqualify a candidate, the candidate's criminal history record information
11 report shall be destroyed. The candidate's personnel file shall only contain
12 a statement that a security background check was performed and the date
13 thereof.

14 (e) (d) The state department of credit unions shall submit an
15 employment candidate's fingerprints to the Kansas bureau of investigation
16 and to the federal bureau of investigation for the purpose of determining
17 whether the applicant has a criminal record.

18 Sec. 27. K.S.A. 2018 Supp. 17-2246 is hereby amended to read as
19 follows: 17-2246. (a) (1) Every credit union which is organized and
20 operating under the laws of the state of Kansas, except a corporate credit
21 union, shall insure the shares of each shareholder of such credit union.

22 (2) Every credit union shall insure the shares of each shareholder of
23 such credit union with the national credit union share insurance fund,
24 *NCUSIF*, or its successor.

25 (b) (1) The application for *NCUSIF* insurance shall be filed with the
26 Kansas-state department of credit unions, then forwarded to the national
27 credit union administration.

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

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

33 (c) Every credit union shall forward a copy of the *NCUSIF* certificate
34 of insurance to the administrator within 30 days after the credit union
35 receives the certificate.

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

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

42 Sec. 28. K.S.A. 2018 Supp. 17-2263 is hereby amended to read as
43 follows: 17-2263. (a) Subject to the provisions of this section and K.S.A.

1 17-2264, and amendments thereto, an individual adult or minor, hereafter
2 referred to as the ~~shareholder member~~, may enter into a written contract
3 with any credit union located in this state providing that the balance of the
4 ~~shareholder's member's~~ account, or the balance of the ~~shareholder's~~
5 ~~member's~~ legal share of an account, at the time of death of the ~~shareholder~~
6 ~~member~~ shall be made payable on the death of the ~~shareholder member~~ to
7 one or more persons or, if the persons predecease the owner, to another
8 person or persons, hereafter referred to as the beneficiary or beneficiaries.
9 If any beneficiary is a minor at the time the account, or any portion of the
10 account, becomes payable to the beneficiary and the balance, or portion of
11 the balance, exceeds the amount specified by K.S.A. 59-3053, and
12 amendments thereto, the moneys shall be payable only to a conservator of
13 the minor beneficiary.

14 (b) Transfers pursuant to this section shall not be considered
15 testamentary or be invalidated due to nonconformity with the provisions of
16 chapter 59 of the Kansas Statutes Annotated, and amendments thereto.

17 (c) Every contract authorized by this section shall be considered to
18 contain a right on the part of the ~~shareholder member~~ during the
19 ~~shareholder's member's~~ lifetime both to withdraw funds on deposit in the
20 account in the manner provided in the contract, in whole or in part, as
21 though no beneficiary has been named, and to change the designation of
22 beneficiary. The interest of the beneficiary shall be considered not to vest
23 until the death of the ~~shareholder member~~ and, if there is a claim pursuant
24 to K.S.A. 39-709, and amendments thereto, until such claim is satisfied.

25 (d) No change in the designation of the beneficiary shall be valid
26 unless executed in the form and manner prescribed by the credit union and
27 delivered to the credit union prior to the death of the ~~shareholder member~~.

28 (e) For the purposes of this section, the balance of the ~~shareholder's~~
29 ~~member's~~ account or the balance of the ~~shareholder's member's~~ legal share
30 of an account shall not be construed to include any portion of the account
31 ~~which that~~ under the law of joint tenancy is the property of another joint
32 tenant of the account, upon the death of the owner.

33 (f) As used in this section, "person" means any individual, individual
34 or corporate fiduciary or nonprofit religious or charitable organization as
35 defined by K.S.A. 79-4701, and amendments thereto.

36 Sec. 29. K.S.A. 17-2268 is hereby amended to read as follows: 17-
37 2268. Except for persons who are executive officers, an officer or director
38 of a credit union or ~~federal credit union~~ shall have no personal liability to
39 the credit union or federal credit union or its members for monetary
40 damages for breach of duty as an officer or director, except that such
41 liability shall not be eliminated for: (a) Any breach of the officer's or
42 director's duty of loyalty to the credit union or its members; (b) acts or
43 omissions which constitute willful or gross and wanton negligent breach of

1 the officer's or director's duty of care; (c) acts in violation of K.S.A. 17-
2 2209, and amendments thereto; or (d) any transaction from which the
3 officer or director derived an improper personal benefit. For purposes of
4 this section, "executive officer" means the chairperson of the board, the
5 president, each vice-president, ~~the cashier,~~ the secretary and the treasurer
6 of a credit union ~~or federal credit union,~~ unless such officer is excluded by
7 resolution of the board of directors or by the bylaws of the credit union ~~or~~
8 ~~federal credit union~~ from participation in the policymaking functions of
9 the credit union ~~or federal credit union,~~ and the officer does not actually
10 participate in the policymaking functions of the credit union ~~or federal~~
11 ~~credit union.~~

12 Sec. 30. K.S.A. 17-2201, 17-2203, 17-2204a, 17-2207, 17-2209, 17-
13 2214, 17-2215, 17-2217, 17-2224, 17-2225, 17-2226, 17-2229, 17-2230,
14 17-2231, 17-2242 and 17-2268 and K.S.A. 2018 Supp. 17-2202, 17-2204,
15 17-2206, 17-2208, 17-2210, 17-2211, 17-2216, 17-2216a, 17-2219, 17-
16 2221a, 17-2228, 17-2233, 17-2234, 17-2246 and 17-2263 are hereby
17 repealed.

18 Sec. 31. This act shall take effect and be in force from and after its
19 publication in the statute book.