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MEMORANDUM

To: Chairman Longbine and the Senate Committee on Financial Institutions and Insurance

From: Office of Revisor of Statutes

Date: February 28, 2024

Subject: **HB 2561: Authorizing domestic credit unions to operate outside of the state, providing civil penalties for certain violations, allowing the administrator to enter into informal agreements, removing requirements regarding duplicate filings, establishing appeals procedures for suspended credit and supervisory committee members and requiring the members of a merged credit union to approve such merger.**

HB 2561 adds three new sections to the state credit union code and amends provisions of the state credit union code to remove requirements regarding duplicate filings, establish appeals procedures for suspended credit and supervisory committee members and require approval of the members for a credit union merger. The bill passed the House Committee of the Whole on a vote of 114 to 3 on February 15, 2024.

New Section 1 allows a domestic credit union to do business out of the state if permitted by the law of the other jurisdiction.

New Section 2 allows the credit union administrator to assess and collect a civil money penalty against a credit union when a credit union engages in any unsafe or unsound practice or violates or knowingly permits any person to violate the state credit union code or rules and regulations promulgated thereunder. Such penalty shall not exceed \$1,000 per day that such violation continues. Before such civil penalty can be imposed, the administrator must offer notice and an opportunity for a public hearing in accordance with the Kansas administrative procedure act. Upon waiver by the respondent of the right to a public hearing, the hearing or portion thereof may be closed to the public when concerns arise about the prompt withdrawal of moneys from or the safety and soundness of the credit union.

New Section 3 allows the credit union administrator to enter into informal agreements with credit unions for a plan of action to address possible safety or soundness concerns. The adoption of an informal agreement shall not be subject to the provisions of the Kansas administrative procedure act or the Kansas judicial review act and shall be considered confidential examination material.

Section 4 amends K.S.A. 17-2201 to remove the requirement that duplicate certificates of organization be signed and duplicate bylaws be submitted by the organizers of a credit union. This section also eliminates an obsolete reference to the charter board. (Charter board was abolished by repeal of K.S.A. 17-401 in 1972)

Section 5 amends K.S.A. 17-2208 to add language allowing a suspended credit or supervisory committee member to appeal such suspension. Such appeal shall be acted upon by the members of the credit union at a meeting held within 60 days after such suspension. The suspended person shall have the right to appear and be heard at such meeting.

Section 6 amends K.S.A. 17-2228 to require approval by the members of the merging credit union for such merger to take effect. Current law requires approval by the members of each such credit union planning to merge.