



KANSAS CREDIT UNION ASSOCIATION

To: Senate Financial Institutions and Insurance Committee
From: Haley DaVee, Vice President of Governmental & Public Affairs
Date: Thursday, February 14, 2013
Re: Support Senate Bill 113

The Kansas Credit Union Association appreciates the opportunity to appear today in support of Senate Bill 113. The 99 Kansas credit unions are not-for-profit financial cooperatives that are structured for the sole purpose of serving the financial needs of their 626,000+ member/owners.

With 79% of Kansas credit unions holding a state charter, KCUA supports a strong state charter option for credit unions and legislative changes that provide additional clarity and flexibility to credit unions as they operate in Kansas. As such, we support amendments to KSA 17-2216 and 17-2216a to update language relating to the making of loans and to provide credit unions additional flexibility in the making of loans to board members and the reporting of such loans to the KS Department of Credit Unions.

The proposed changes to KSA 17-2216 update the language in statute regarding loan approvals to be consistent with other areas of the statute and removes language that is no longer relevant due to federal regulatory requirements and the mortgage contract process.

The proposed changes to KSA 17-2216a would increase the board approval and regulatory reporting threshold on loans to board members and committee volunteers. Under current statute, loans to board members and committee volunteers over \$20,000 are subject to an additional board approval process (on top of the normal lending approval process set by credit union lending policies) as well as semi-annual reporting to the KS Department of Credit Unions.

The current statutory threshold is an arbitrary amount that should be increased to reflect today's economic environment. SB 113 would raise the board approval and regulatory reporting threshold to \$50,000 and change the reporting to at least annually. Credit unions already report the number and dollar amounts of loans to credit union officials on their quarterly call report filings. There are additional statutory requirements regarding the making of such loans such as requiring compliance with the lending policies of the credit union; that they may not be given terms any more favorable than those extended to other borrowers; and that board members may not participate in any consideration of the loan approval. We believe that these statutory requirements are important and provide protection against potential abuses.

Raising the threshold will provide credit unions with additional flexibility, reduce the operational costs of additional board approvals, and lessen the regulatory burden faced by credit unions. Thank you again for the opportunity to appear in support of SB 113. I would be happy to stand for questions at the appropriate time.