

## MINUTES OF THE SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE

The meeting was called to order by Chairman Ruth Teichman at 9:30 A.M. on March 5, 2008 in Room 136-N of the Capitol.

All members were present.

## Committee staff present:

Melissa Calderwood, Kansas Legislative Research Department  
Ken Wilke, Office of Revisor of Statutes  
Bev Beam, Committee Secretary  
Jill Shelley, Kansas Legislative Research Department

## Conferees appearing before the committee:

Senator Dennis Wilson

## Others attending:

See attached list.

The Chair called the meeting to order.

The Chair recognized Senator Schmidt. Senator Schmidt asked if there would be a chance for the credit unions to be heard at a later time since they are going to be out of town.

The Chair responded that when she set the meeting dates, she had no idea the credit union representatives were going to be in Washington, D.C.

The Chair thanked Senator Wilson for Chairing the Credit Union Subcommittee and Senators Brownlee and Barone for serving on the committee. She said the subcommittee worked very hard on trying to find a compromise and she applauded them for their efforts. The Chair then turned the meeting over to Senator Wilson for his explanation of the subcommittee results.

Senator Wilson's report on **SB 535 - an act concerning credit unions; pertaining to field of membership; pertaining to mergers; pertaining to branches**

Senator Wilson said he appreciated the opportunity to give the subcommittee report. He said both sides of this issue are very passionate about this issue and that he understands why. He noted both sides were very polite and very helpful. He said they had extensive meetings and everyone has been heard. He said the subcommittee worked well; however, what they produced was not unanimous. There are parts of the bill that were unanimous by the committee, but not all the committee, so it did go out two to one. He said Senator Barone offered up a wide range of advice during the debate and kept us on track. He noted Senator Brownlee offered up the balloons and he appreciated her attention to detail.

Senator Wilson said the majority of the subcommittee started with the premise and decision that this committee will also have to make and that is, do you believe the credit union report, or don't you. It gets down to a simple "or." But if you do believe the Post Audit, we think the department's practice in this area is not in accordance with the law and similar provisions have been challenged at the federal and state level, he said. You have heard in testimony before this that the federal law prior to being changed pretty much mirrored our law and our law pretty much mirrored theirs. It got all the way to the Supreme Court and the Supreme Court ruled in favor of the banking association so congress went back in and changed the law on their federal credit unions to make it what congress thought credit unions should be doing. So, we heard both testimonies, he said. He continued that he read further that in some of the judge's comments during the proceedings in Missouri he tried to explain why he thinks the credit unions have overstepped their bounds in Missouri. It was quite interesting how he took the history of credit unions to show how credit unions have actually overstepped their powers so the laws in Missouri were changed.

Senator Wilson commented that Staff did a wonderful job. He said Melissa gave the subcommittee a lot of information that he did not know was available, including the history going way back to the days of the king and how credit unions got started. Also, how credit unions came across to America and what purpose they served. From that, it appeared to the Chairman and, to most of the committee, that credit unions over the

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years have not interpreted the law in accordance with its intent.

Mr. Wilson said the committee has in front of them a clean copy of the balloons in the new bill drafted by Ken Wilke. He said the committee has probably not made either side of this issue very happy.

Senator Wilson said the committee has watered this bill down. Following are bullet points presented by Senator Wilson from the subcommittee deliberations:

- . SB 535 grandfathers existing credit union members statewide. If they had members statewide, they have been grandfathered in under this proposal.

- . SB 535 ensures current and future family members of credit union members are also eligible for membership. They can continue with the relationship that someone has started in a credit union. That has been grandfathered in.

- . In situations where an existing credit union branch or branch under construction is determined to be outside a credit union's field of membership area, SB 535 grandfathers the branch or branch under construction in the city in which it is located.

- . The transparency provisions of the bill were something the subcommittee pretty much agreed on. We think when a bank comes into a community, they have to go to a newspaper and say we're thinking about becoming a bank and, they have to go in prior to their decision. They have to have the transparency. So, public notification in a local newspaper of general circulation will be required when a credit union makes application for a new branch within the state, Senator Wilson said. He noted that the notice will be published on the same day for two consecutive weeks with a comment period of not less than 10 days after the date of the second publication.

Senator Wilson continued, stating Publication in the *Kansas Register* will be required when an application to change an existing field of membership is submitted.

- . The notice shall be published for two consecutive weeks within 60 days prior to the effective date of the proposed change, and shall provide for a comment period of not less than 10 days after the date of the second publication.

- . Senator Wilson commented that the field of membership was the tough part on each side. Single employer common bond allows any single employer common bond credit union an unlimited number of members as long as they are employed by that single employer.

- . Regarding multiple common bonds of association or occupation, if the single employer common bond credit union wants to add additional occupational or association groups they can do so as long as they are not greater than 3,000 members for each additional group.

Geographic/Community Common Bond includes:

Any single political jurisdiction such as a city, township, county or clearly identifiable neighborhood. Senate Bill 535 prohibits the use of a congressional district or the entire state of Kansas as a neighborhood, community or rural district.

Multiple contiguous political jurisdictions or counties of up to 500,000 in population, and

Any Metropolitan Statistical Area (MSA) up to 1,000,000 in population.

The majority of the committee thought something needed to be done, Senator Wilson said, and this seems to be the best solution we could come up with according to the existing law. This clearly gives a lot of flexibility to the credit unions. I don't think they believe that or feel that, but I believe the committee believes this is the best product it could bring to you.

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Senator Wilson said obviously, the bankers were concerned with us watering down the bill and grandfathering everybody in and grandfathering all the locations in but we felt it was fair to the credit unions to do so. This is why we went the way we did.

The Chair asked Senator Wilson for a copy of the bullet points for the committee. He said he would be glad to provide same at tomorrow's meeting.

Ken Wilke gave a detailed point by point, page by page review of the balloon.

The Chair asked for discussion on what is in SB 535.

The Chair commented that she wanted to assure Senator Schmidt that when she set the meeting dates, she had no idea what was going on in Washington D.C. It had nothing to do with the fact that credit union members were in Washington , D.C. I would never have done it that way, she said. The Chair said in her opinion, this matter has been dealt with for two years and it is time to move on and decide what we are going to do. She said we will be hearing this bill tomorrow, March 6, both proponents and opponents. She said to be ready with questions at that time. She noted it is her intention is to work the bill next week.

The meeting adjourned at 10:20 a.m.