



Kansas Department of Credit Unions

KDCU Newsletter

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SEPTEMBER 14, 2007

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NOTICE OF HEARING ON PROPOSED REGULATIONS

A public hearing will be held by the Administrator of the Kansas Department of Credit Unions at 10 a.m. Tuesday, November 27, 2007 in the conference room, Suite B, 400 South Kansas Avenue, Topeka, to consider the approval and adoption of proposed administrative regulations.

The proposed regulations that will be heard during the public hearing are as follows:

K.A.R. 121-2-1, a revision of an earlier regulation that describes the requirements for a credit union written contingency and business recovery plan.

K.A.R. 121-3-1, a revision of the credit union services organization regulation. The revised regulation allows for additional organizational structures for

credit union service organizations as per K.S.A. 2006 Supp. 17-2204a, as amended by L. 2007, ch. 71, sec.1 and updates CUSO reporting requirements.

K.A.R. 121-5-4 defines the meaning of terms relating to insolvent and the requirements that exist for a credit union to be declared insolvent.

K.A.R. 121-9-1 prescribes the requirements that must exist for the Administrator to approve a foreign (out of state) credit union to do business in Kansas.

K.A.R. 121-10-1 and 121-10-2 define terms and prescribe the audit reporting requirements for credit unions by various asset sizes.

There will be minimal eco-

nomonic impact on governmental agencies, credit unions and the general public as a result of the adoption of the proposed regulations.

This 60-day notice was published in the Kansas Register on September 7, 2007 and constitutes a public comment period for the purpose of receiving written public comments on the proposed regulations. All interested parties may submit written comments prior to the hearing to John P. Smith, Administrator, Kansas Department of Credit Unions, 400 South Kansas Avenue, Suite B, Topeka, KS 66603 by U.S. Mail or by e-mail to kdcuoffice@kdcu.ks.gov.

Copies of the regulations are on the KDCU web site at www.kansas.gov/kdcu/. Comments are welcome.

CREDIT UNION COUNCIL MEETS

The Credit Union Advisory Council met on September 13, 2007 as required by statute. Council members present were Garth Strand, Chair, Mark Kolarik Vice-Chair, Denise Bonner, Secretary, Gary Regoli, Lee Williams, and William McCurley.

The Council received the following reports:

- ◆ KDCU Personnel Update

- ◆ Credit Union Status Reports

- ◆ KDCU Financial Reports

- ◆ Report from the Administrator

- ◆ Reports from Kansas Credit Union Association and Kansas Corporate Credit Union

The Council extensively discussed the Interim Legislative Committee on Financial Institutions and Insurance hearing on credit unions

scheduled for October 17 and 18, 2007.

The next meeting of the Credit Union Advisory Council will be on December 13, 2007. The seven-member council is appointed by the Governor to advise the Administrator on issues and needs of credit unions. You are invited and encouraged to attend council meetings.

From the Administrator...

To quote Charles Dickens in *A Tale of Two Cities*: "It was the best of times; it was the worst of times." This quote might aptly describe the economic environment that credit unions operate in today. Sub prime consumer lending creates losses for credit unions while sub prime mortgage lending creates global financial concerns. In the farm economy, record corn, wheat and soybean prices are having their effect on the local economy.

I continue to remind our staff that whatever you want to see in these tumultuous times, you can find it. I tend to be the eternal optimist, enjoy credit union work

and just being around the great people who are involved with credit unions. I do understand how those involved with credit unions continue to be concerned by banker attacks, the recent changes in the economy and the effects of both on credit unions. A call for additional regulation or legislation to address current problems and avoid future problems with sub prime consumer and mortgage lending are a possibility.

During these times, I suggest that credit union management know their loan and investment portfolios, do they hold sub prime loans, if they have HELOC loans they need to know what the first

mortgage looks like. I also encourage credit union managers to talk to their members and their employees, especially tellers and loan officers who meet and greet the members and the public about the benefits credit unions offer.

Considering the basic principals of managing a credit union, the skills and knowledge for success, and the basic credit union philosophy of people helping people remain important today.

Truly it is the best of times and perhaps the worst of times. Seize the opportunity and move forward.

Bulletins Issued:

July 10: 2007-KDCU-CUB-04 Filing of Internal Revenue Service Form 990 (Announcing that KDCU would no longer file a consolidated tax return for Kansas credit unions.)

August 17: 2007-KDCU-CUB-05 Pandemic Influenza Plan Testing Opportunity (Announcing the availability of testing of pandemic influenza plans).

August 24: 2007-KDCU-CUB-06 Second Quarter 2007 Call Report Statistics

INTERIM COMMITTEE TO STUDY CREDIT UNIONS

The Legislative Coordinating Council has assigned nine legislators to an Interim Committee on Financial Institutions and Insurance. Members of the committee are: Senator Ruth Teichman, Stafford, Chair, Senator Roger Pine, Lawrence, Senator Chris Steineger, Kansas City, Representative Clark Shultz, Lindsborg, Vice-Chair, Representative Peggy Mast, Emporia, Representative Ronnie Metsker, Overland Park, Representative Rocky Fund, Hoyt, Representative Nile Dillmore, Wichita and Representative Cindy Neighbor, Shawnee.

The Committee will meet on October 17 and 18 to study regulation of credit unions. The Committee will review the 2006 Legislative Post Audit report entitled, Regulation of Credit Unions: Reviewing the Department of Credit Unions' Procedures for Ensuring Institutions' Safety, Soundness and Compliance With the Law. In particular, the Committee will study the Post Audit finding related to the Department of Credit Unions; interpretation of credit union membership requirements and the Department's examination activities as they relate to having clearly defined procedures,

following the current established procedures, and taking timely enforcement activities.

A review of how the Office of the State Banking Commissioner interpreted the credit union field of members statute prior to the establishment of KDCU in 1968 reveals consistency despite Post Audit opinion that the statute has been incorrectly interpreted.

KDCU has been nationally accredited by NASCUS since 1995 and thus follows accepted regulatory practices.

Kansas Department of Credit Unions Staff

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