



Kansas Department of Credit Unions

KDCU Newsletter

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Kansas Department of Credit Unions

400 Kansas Avenue,
Suite B
Topeka, KS 66603

Phone: 785-296-3021
Fax: 785-296-6830
kdcuoffice@kdcu.ks.gov

FIELD OF MEMBERSHIP LEGISLATION ENACTED

On May 11, 2008 Governor Kathleen Sebelius signed Senate Substitute for Senate Bill 535 enacting new law and amending existing statutes governing field of membership (FOM), mergers and branching of credit unions. The new legislation becomes effective July 1, 2008. Text of the bill is on the Department of Credit Union's web site at <http://www.kansas.gov/kdcu>. **Please contact the Department if you have questions regarding implementation of SB 535.** Here is a summary of the legislation:

Credit Union Branches

Credit unions are required to submit an application for a new branch location and receive the approval of the Administrator. The notice to apply for the branch must be published in a newspaper of general circulation in the county where the applicant proposed to locate a branch. The Administrator may hold a public hearing for applicants with a CAMEL 3, 4 or 5 rating.

Field of Membership (FOM)

The changes to K.S.A. 17-2205 allow a credit union to include multiple common bonds of occupation or association. The bill specifies that, except as provided in the exceptions outlined below, from and after July 1, 2008, no approved geographic area shall consist of any congressional

district or the entire state of Kansas. The geographic area, in general, may include a single political jurisdiction or multiple contiguous political jurisdictions, until the aggregate total of the population of the geographic area reaches 500,000. If the headquarters of the credit union is located within an MSA a different maximum population limit applies. That limit would be determined by a formula: multiply the population of the most populous MSA within Kansas (i.e., the population of the Kansas City MSA counties within Kansas) by the fraction having 1 million as the numerator and 750,000 as the denominator. Current population numbers would be those of the adjusted federal census information presented to the Legislature by the Secretary of State.

The legislation require changes to certain credit unions' current geographic FOMs:

◆A credit union with a statewide FOM is required, before January 1, 2009, to adopt a FOM of contiguous political jurisdictions with an aggregate total population not to exceed 1.0 million. A credit union whose headquarters is not in a county that is part of an MSA may not include more than one MSA in its new FOM.

◆A credit union whose headquarters is located within an MSA as of February 1, 2008, could continue its FOM if that FOM includes multiple contiguous political jurisdictions with an aggregate total population of not more than 1.0 million. If the total population of its political juris-

dictions exceeds 1.0 million, the credit union is required to change its FOM by January 1, 2009. The population of any county where a branch not located within the newly adopted FOM is located would not be included in the 1.0 million population total.

◆A credit union whose headquarters is *not* located within an MSA as of February 1, 2008, could continue its FOM unless its FOM includes multiple contiguous political jurisdictions having an aggregate total population exceeding 1.0 million. If the total population of its political jurisdictions exceed 1.0 million, the credit union is required to change its FOM by January 1, 2009. The population of any county where a branch not located within the newly adopted FOM of the credit union is located is not included in the 1 million population total. A credit union whose headquarters is not in a county that is part of an MSA can not include more than one MSA in its new FOM. Credit unions are required to file an application with the Administrator and to furnish proof of publication in the *Kansas Register* related to that application.

In general, credit unions will be allowed to continue to serve current members and groups.

Mergers

The bill also amends two existing statutes governing merger procedures to allow for emergency mergers.

From the Administrator...

Another Post Audit

The Legislative Division of Post Audit has begun a study to determine if efficiencies would result by combining the Kansas securities, banking and credit union agencies. We are working with Post Audit to provide information, and data requested and engaged in discussions with their audit personnel to ensure the study considers all aspects of any potential change.

Fee Assessment

Early this month as required by statute I advised the Credit Union Advisory Council that fees will increase slightly for the fiscal year beginning July 1, 2008. KDCU will be mailing credit unions their as-

essment bill later this month.

Our budget has been carefully reviewed along with the carry over history of the fee fund. We have been spending less than our budget this fiscal year but spending more than collected in fees for the past two years. Our expenditures have remained below budget because of retirements, maintaining a open position and prudent management.

Our expenditures in fiscal year 2009 will increase because now we believe filling the vacant examiner position should occur, travel expenditures are increasing primarily due to higher costs of motel rooms and gasoline. We also need to replenish the fee fund. Therefore, fees will be increased slightly with

the assessment made to credit unions for fiscal year 2009. Fee assessments are based on year end 2007 credit union assets. The fee schedule is based on a graded scale with incremental fees declining as asset size increases. The increase in fees will also be affected (increase) for credit unions that have experienced an increase in assets in 2007. Credit union fee assessments will be mailed to credit unions this month.

Implementation of Senate Bill 535

Work continues to implement the provisions of SB 535. Verification of the field of membership for 87 credit unions has been completed. Verification of credit union branches in place as of February 1, 2008 is nearly

complete.

The application form for new credit union branches or to relocate an existing branch is completed.

As those credit unions who are required to reconfigure their field of membership before January 1, 2009, we will review their proposed FOM. Again, your cooperation is requested as we address questions concerning implementation of the new legislation.

Bulletins Issued:

May 28, 2008: 2008-KDCU-CUB-04 First Quarter 2008 Call Report Statistics.

CREDIT UNION COUNCIL MEETS

The Credit Union Advisory Council met on June 19, 2008. Council members participating were Garth Strand, Chair, Mark Kolarik, Secretary, Denise Bonner, Lee Williams, and Gilbert Benton.

Due to the resignation of Gary Regoli from the Council, Lee Williams was elected Vice-Chair.

The Council received several reports:

- ◆ KDCU personnel and training update
- ◆ Credit union status reports
- ◆ KDCU financial reports
- ◆ Reports from the Kansas Credit

Union Association and the Kansas Corporate Credit Union.

The Administrator and Assistant Attorney General Camille Nohe extensively discussed their responses to questions KDCU has received regarding implementation of SB 535. Question received concerned the lack of language extending membership to family members, how to reconfigure the FOM of credit unions required to do so and the application of the new credit union branch requirements.

The Administrator reported to the Council that a Legislative Post Audit

Study had begun to determine if efficiencies could result from combining the Kansas securities, banking and credit union agencies. The study will take 4 to 6 weeks and meet legislative requirements for the K-Goal Program.

The next meeting of the Credit Union Advisory Council is scheduled for September 18, 2008. The seven-member Council is appointed by Governor Sebelius to advise the Administrator on issues and needs of credit unions. Credit unions are invited and encouraged to attend Council meetings.

Kansas Department of Credit Unions Staff

John P. Smith, Administrator
 Dick Yadon, Financial Examiner Administrator
 James Klausen, Financial Examiner Principal
 Valorie White, Financial Examiner Principal
 Michael Baugh, Financial Examiner Principal
 Jonathan Hankin, Financial Examiner

Christopher Taylor, Financial Examiner
 Tana Hoffman, Financial Examiner
 Billy Vardaman, Jr., Financial Examiner
 Cheryl Bishop, Administrative Specialist
 Freda Chabira, Administrative Specialist