



# 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

## PUBLIC HEARINGS ON PROPOSED REGULATIONS

### Public Hearings Scheduled

A public hearing will be held by the Administrator of the Kansas Department of Credit Unions (KDCU) at 10 a.m. Thursday, March 26 in the KDCU's conference room, Suite B, American Home Life Insurance Company Building, 400 S. Kansas Ave., Topeka to consider the approval and adoption of proposed administrative regulations by the KDCU. The proposed regulations that will be heard during the public hearing are as follows:

K.A.R. 121-11-1 defines the terms "continuing credit union" and "merging credit union."

K.A.R. 121-11-2 details the process to merge into a single credit union for any two credit unions.

K.A.R. 121-12-1 clarifies the definition of the term "branch" to not include any automated teller machine, remote service unit or similar device.

A public hearing will be held by the Administrator of the Kansas Department of Credit Unions (KDCU) at 10 a.m. Thursday, April 2 in the KDCU's conference room, Suite B, American Home Life Insurance Company Building, 400 S. Kansas Ave., Topeka to consider the approval and adoption of a proposed administrative regulation by the KDCU. The proposed regulation that will be heard during the public hearing is as follows:

K.A.R. 121-9-1 describes the requirements and process to obtain approval by the Administrator, KDCU for foreign credit unions (out of state chartered credit unions) to do business in Kansas.

Comments can be submitted in writing or by e-mail to the KDCU address on page 2 of the Newsletter. All interested parties will be given a reasonable opportunity at the hearing to present their views. During the hearing, all written and oral comments submitted by interested parties will be considered by the Administrator as a basis for approving, amending and approving, or rejecting the revised administrative regulations.

### Amendments to Field of Membership (FOM) Statute

Senate Bill 72, as amended, would amend provisions pertaining to the field of membership in Kansas chartered credit unions to specify that a person who is a member of a credit union would remain a member of the credit union until the person chooses to withdraw or is expelled from the membership. The bill lists those who may be a member of a credit union to include:

- Spouses of persons who died while such person was within the field of membership;
- Employees of the credit union;
- Persons who retired from any qualified employment group within the field of membership;
- Persons from a volunteer group recognized by the management of the

association(s) or employee group(s) within the field of membership;

- Members of the credit union member's immediate family or household;
- Organizations whose membership consists of persons within the field of membership; and
- Corporate or other legal entities within the field of membership identified in the charter, articles of incorporation, or the bylaws of the credit union.

SB 72 has been approved by the Senate and is now in the House. The KDCU Administrator entered written and oral testimony in support of SB 72.

### Bulletins Issued

Bulletins issued since the last newsletter:

2009-KDCU-CUB-03 Fourth Quarter 2008 Call Report Statistics

2009-KDCU-CUB-02 Actions taken by the National Credit Union Administration to Support the Corporate Credit Union System

2009-KDCU-CUB-01 The Corporate Credit Union System and the National Credit Union Administration Corporate Credit Union Strategy

Management should be familiar with KDCU's Bulletins.

### Statutes Updated on Website

KDCU statutes Chapter 17 have been updated on the website incorporating the changes made by the 2008 Legislature.

### Supervision Considerations for Kansas Credit Unions following the Corporate Credit Union Stabilization Efforts

*In response to questions concerning examination of credit unions in the aftermath of the NCUA announced write-down of credit union NCUSIF deposits as well as the expected NCUSIF premium assessment later in 2009, KDCU has reviewed NCUA Supervisory Letter 09-01 and is providing guidance to Kansas examiners on the evaluation of earnings, net worth, and overall CAMEL and risk ratings of credit unions given the special circumstances of the NCUA actions. The actions taken by NCUA have been*

*discussed in Bulletins issued by KDCU.*

Examiner responsibilities fall into 5 general areas.

- **Assessment of Earnings:** Examiners will consider the effect of NCUA actions when evaluating earnings along with past and long term earnings.

- **Assessment of Net Worth:** As with earnings, examiners will consider NCUA actions when evaluating net worth. The full evaluation of net worth level aside from the effect of NCUA actions will be considered.

- **PCA and Net Worth Restoration Plans:** Kansas and fed-

eral statutes and regulations mandate that all Kansas credit unions whose net worth level ratio falls below 7 percent be subject to PCA. Credit unions falling below 6 percent will be subject to PCA restoration plan requirements. Examiners, and the Administrator will be flexible when reviewing credit union net worth restoration plans.

- **Due Diligence:** The examiner will not take exception to credit unions which have invested extensively in the corporate credit union system. Credit unions however, must perform due diligence on all investments.

- **CAMEL Rating System:** Examiners are aware that CAMEL

ratings are based on risk and not determined by a matrix and that credit union use of benchmarks based upon the old matrix system without adequate risk management processes could lead to unsafe and unsound business decisions. Examiners and the Administrator will consider the actual risk of the credit union when assigning and reviewing CAMEL ratings.

In summary, hopefully the reduction in earnings and diluted net worth ratio will be temporary.

## CREDIT UNION COUNCIL MEETS

The Credit Union Advisory Council met on March 5, 2009. Council members participating were Garth Strand, Chair, Mark Kolarik, Secretary, Denise Bonner, Lee Williams and Jim Holt.,

The Council received several reports:

- ◆ KDCU personnel and training update.
- ◆ Credit union status reports.
- ◆ KDCU financial reports.
- ◆ Kansas credit union condition report.
- ◆ Frequency of examinations report.
- ◆ An update on the KDCU budget appropriations being considered by the

legislature.

- ◆ Announcement of two public hearings for proposed regulations.

The Council discussed the recent NCUA actions taken to stabilize the corporate credit union system, the effect of the NCUSIF write-down and recapitalization on Kansas credit unions. Larry Eisenhauer, President, Kansas Corporate Credit Union, participated in these discussions.

The Kansas Credit Union Association reported on pending state and federal legislation.

Kansas Corporate Credit Union reported on recent events in the corporate credit union system.

The next meeting of the Credit Union Advisory Council is scheduled for June 2, 2009.

The seven-member Council is appointed by Governor Sebelius to advise the Administrator on issues and needs of credit unions. Credit union members and officials 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

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