



Kansas Department of Credit Unions

KDCU Newsletter

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FOUR REGULATIONS ADOPTED, TWO WITHDRAWN

Following the public hearing held by the Administrator of the Kansas Department of Credit Unions on November 27, 2007 in the conference room, Suite B, 400 South Kansas Avenue, Topeka, the four regulations will be adopted following publication in the Kansas Register. The regulations become effective 15-days following publication. They are:

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 organiza-

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

K.A.R. 121-5-4, a new regulation describing 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, a new regulation prescribing the requirements that must exist for the Administrator to approve a foreign (out of state) credit union to do business in Kansas.

Comments from credit unions were received for K.A.R. 121-2-1 and 121-3-1. No comments were received for K.A.R. 121-5-4 and 121-9-1.

Written comments received during the 60-day comment period and those presented at the public hearing were considered. Prior to adoption, two technical changes were made to K.A.R. 121-3-1.

Proposed Regulations Withdrawn

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which define terms and prescribe the audit reporting requirements for credit unions by various asset sizes has been withdrawn by the Administrator.

The two regulations will be revised considering the comments received during the 60-day comment period and at the public hearing. The revised regulations will be republished for a new 60-day comment period.

CREDIT UNION COUNCIL MEETS

The Credit Union Advisory Council met on December 13, 2007 as required by statute. Council members present were Garth Strand, Chair, Mark Kolarik Vice-Chair, Denise Bonner, Secretary, Gary Regoli, Lee Williams, Gilbert Benton 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 discussed the Interim Legislative Committee hearings.

The next meeting of the Credit Union Advisory Council will be on March 20, 2008. The seven-member council is appointed by the Governor to advise the Administrator on issues and needs of credit unions. If you are interested in serving on the Council, please contact the Administrator, KDCU. You are invited and encouraged to attend council meetings.

From the Administrator...

The study of credit unions is now appearing to have gone full circle, from the legislature to the Legislative Post Audit Study to a Special Interim Committee and next back to the legislature.

Despite KDCU's action to respond to the Legislative Post Audit Report, the Senate Financial Institutions and Insurance Committee requested a Special Interim Committee to study credit unions. Once again, KDCU responded and in more detail. The Chair of the Special Committee acknowledged KDCU's response to the recommendations in the report but continued to press for a legislative

upgrade of the field of membership statute K.S.A. 17-2205. The contention is that KDCU, in allowing multiple common bonds in credit unions fields of membership, violates the statute. A careful review of all credit union fields of membership since its enactment in 1929 clearly shows that the statute has consistently been applied, first by the Office of the State Bank Commissioner until 1968 and by KDCU from 1968 to the present.

If amendment of K.S.A. 17-2205 occurs by the 2008 legislature, unintended consequences can occur. Modification of the Administrator's authority to approve field of membership changes could occur.

The Special Interim Committee heard testimony concerning the 2007 changes in the Missouri field of membership statute that restricts credit unions expansions to counties adjoining their headquarters office.

If the legislature decides to take up this issue, I pledge to do what can be done to ensure a statute is enacted that has clear language and does not include unnecessary restrictions. Your help is required. The 'better' course might be no change in the statute, allowing continuation of the long term practice of the Administrator interpreting the statute. This has served credit unions satisfactorily since 1929.

Bulletins Issued:

October 10: 2007-KDCU-CUB-07 Limitations on Terms of Consumer Credit Extended to Service Members and their dependents.

October 22: 2007-KDCU-CUB-08 Interest Rate Risk (suggestions for asset/liability management of credit unions).

November 21: 2007-KDCU-CUB-09 Visa, Inc. Stock (KDCU's opinion regarding the receipt of stock in Visa, Inc.)

November 26: 2007-KDCU-CUB-10 Third Quarter 2007 Call Report Statistics.

CURRENT TOPICS

Small loans...

Several credit unions and credit union service organizations have requested our review of small or pay day loan programs. We have reviewed some programs and are in the process of reviewing other programs. Our review enables our examiners to determine if the program complies with applicable statutes, regulations and to become familiar with the program. Each program has unique features. While it is laudable credit unions and CUSOs are offering an alternative to pay day and title loans, these programs should not place the credit union at undue risk.

Financial, operational, credit and reputation risk can be experienced by

these types of programs.

In coordination with the Office of the State Bank Commissioner, we have developed forms and disclosures for small loans. Please contact KDCU or the Kansas Credit Union Association for these forms.

If you are considering providing these type of programs, we can review your plan and offer suggestions.

Call Reports

The 12/31/07 call report packets will be mailed to credit unions on December 27, 2007. The due date to return the completed call report to your assigned examiner is January 22, 2008.

CAMEL Matrix Elimination...

NCUA has proposed elimination of the CAMEL Matrix which will address changes in the current rating that credit unions receive as a part of the KDCU examination. In January we will determine how these changes should be implemented. Your input is requested to questions being addressed. Should the CAMEL disclosure to credit unions be eliminated and used solely as an internal rating by KDCU and NCUA? Should the risk rating in the seven areas of risk be utilized in lieu of the CAMEL? Send us an e-mail or call the administrator or your examiner with your recommendations.

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