

HOUSE BILL No. 2101

AN ACT concerning financial institutions; relating to credit unions; enacting the state credit union code; amending K.S.A. 17-2201, 17-2203, 17-2204a, 17-2207, 17-2209, 17-2214, 17-2215, 17-2217, 17-2226, 17-2229, 17-2230, 17-2231 and 17-2268 and K.S.A. 2018 Supp. 17-2202, 17-2204, 17-2206, 17-2208, 17-2210, 17-2211, 17-2216, 17-2216a, 17-2219, 17-2221a, 17-2228, 17-2233, 17-2234, 17-2246 and 17-2263 and repealing the existing sections; also repealing K.S.A. 17-2224, 17-2225 and 17-2242.

Be it enacted by the Legislature of the State of Kansas:

New Section 1. Article 22 of chapter 17 of the Kansas Statutes Annotated, and amendments thereto, shall be known and may be cited as the state credit union code.

Sec. 2. K.S.A. 17-2201 is hereby amended to read as follows: 17-2201. (a) Any seven persons, *who are* residents of the state of Kansas, may apply to the administrator of the credit union department for permission to organize a credit union by signing in duplicate a certificate of organization and entering into articles of incorporation, in which they shall bind themselves to comply with its requirements and with all the laws, rules and regulations applicable to credit unions. The articles of incorporation shall set forth:

(1) The name of the proposed credit union, which shall contain the words "credit union" and shall not be the same as that of any other credit union in this state.

(2) The names and addresses of the subscribers to the articles of incorporation, and the number of shares subscribed by each.

(3) A statement that organization as a credit union is desired under ~~this particular law~~ *the state credit union code*, the par value of the shares and the manner in which the par value of shares may be changed from time to time.

(4) The address, which shall include the street, number, city and county of the corporation's registered office in this state and the name of its resident agent at such address.

(b) At the time of filing the articles of incorporation with the administrator, the organizers shall submit, in duplicate, sets of bylaws which shall provide:

(1) The date of the first annual meeting, the manner in which subsequent annual meeting dates shall be determined, the manner of notification of meetings and conducting the meetings, the number of members constituting a quorum and regulations as to voting.

(2) The number of directors, which shall not be less than five, all of whom must be members, their powers and duties, together with the duties of officers elected by the board of directors.

(3) The qualifications for membership.

(4) The number of members of the credit committee and of the supervisory committee, ~~which shall not be less than three each, together with, which shall not be less than three each, and~~ their respective powers and duties.

(5) The conditions under which shares may be issued.

(c) The administrator shall approve the articles of incorporation, if they are in conformity with this act and the bylaws, if satisfied that the proposed field of operation is favorable to the success of such credit union, and that the standing of the proposed organizers is such as to give assurance that its affairs will be properly administered. If the administrator approves the articles of incorporation, the administrator shall issue to the proposed organizers a certificate of approval annexed to the duplicate of the articles of incorporation and of the bylaws. The articles of incorporation, with the certificate of approval annexed, shall be executed and filed and become effective in the manner prescribed in the general corporation code. The copy of the articles of incorporation filed with the secretary of state shall be accompanied by the fee prescribed by K.S.A. ~~17-7502~~ *17-7506*, and amendments thereto. The articles of incorporation of any credit union approved as provided in this section by the secretary of state in the same manner as other domestic corporations are approved whether or not acted upon by the charter board.

Sec. 3. K.S.A. 2018 Supp. 17-2202 is hereby amended to read as

follows: 17-2202. (a) Amendments of the bylaws may be adopted and amendments of the charter may be requested by the membership pursuant to K.S.A. 17-2207, and amendments thereto, ~~or by the affirmative vote of $\frac{2}{3}$ of the authorized number of members of the board of directors upon approval of the board of directors~~ at any duly held meeting, if the members of the board have been given prior written notice of the meeting and the notice has contained a copy of the proposed amendment or amendments.

(b) Except as provided in paragraphs (1) and (2), no amendment to the bylaws shall become operative until approved by the administrator in writing, and until a certified copy has been filed as original bylaws are filed.

(1) If the administrator disapproves any proposed amendment, the credit union may appeal the decision in accordance with the Kansas administrative procedure act.

(2) Any proposed amendment shall be deemed to be approved if the administrator has not acted upon such proposed amendment within 60 calendar days of the date of receipt thereof by the administrator.

Sec. 4. K.S.A. 17-2203 is hereby amended to read as follows: 17-2203. (a) Only credit unions organized under the provisions of the ~~act of which this act is amendatory~~ *state credit union code*, credit unions organized pursuant to federal law, an association of credit unions, or an organization, corporation or association whose membership or ownership is restricted to credit unions or credit union organizations may use any name, a *website URL* or title ~~which that~~ contains the words "credit union" or any derivation thereof.

(b) Any other use by any person, copartnership, association or corporation of any name, *or website URL* or title ~~which that~~ contains the words "credit union" or any derivation thereof and any misrepresentation as a credit union or conducting of business as a credit union by such entities shall be a class A misdemeanor and punishable as such. The administrator, any credit union or any organization, corporation or association of credit unions described in subsection (a) ~~of this section~~ may petition a court of competent jurisdiction to enjoin a violation of this section.

Sec. 5. K.S.A. 2018 Supp. 17-2204 is hereby amended to read as follows: 17-2204. A credit union shall have the following powers:

(a) ~~It~~ *A credit union* may receive the savings of its members in payment for shares, make contracts, sue and be sued, and provide negotiable checks, money orders, ~~travelers checks~~, any other money type instruments or transfer methods, safe deposit boxes or similar safekeeping facilities to its members.

(b) ~~It~~ *A credit union* may make loans to members through the credit committee or authorized loan officer in the way and manner provided in K.S.A. 17-2201 et seq., and amendments thereto.

(c) ~~It~~ *A credit union* may invest, ~~through its board of directors and~~ under written investment policies established by the board:

(1) In all types of shares and accounts of a corporate credit union, ~~located in the state of Kansas and under the supervision of the administrator that is federally insured;~~

(2) in shares or accounts of any savings and loan association or mutual savings bank the accounts of which are insured by an insurer approved by the state in which ~~it~~ *the savings and loan association or mutual savings bank* operates for guaranteeing the shares or accounts of such institutions;

(3) in the bonds or other obligations of the United States of America, or securities fully guaranteed as to principal and interest thereby;

(4) in obligations of, or obligations issued by, any state or political subdivision thereof, including any agency, corporation or instrumentality of a state or political subdivision, except that no credit union may invest more than 10% of its shares, undivided earnings and reserves in the obligations of any one issuer, exclusive of general obligations of the issuer; *or*

(5) in savings banks, state banks, trust companies and national banks, the accounts of which are insured by an insurer approved by the state in which—~~it the savings bank, state bank, trust company or national bank~~ operates for guaranteeing the shares or accounts of such institutions.

~~(6) Unless the administrator authorizes otherwise, the funds of the credit union shall be used first for loans to members and preference shall be given to the smaller loans in the event the available funds do not permit all loans which have been approved by a loan officer or have passed the credit committee to be made.~~

(d) ~~A credit union~~ may enter into agreements with financial institutions or organizations for the extension of credit or debit services.

(e) ~~A credit union~~ may do all things necessary to obtain, continue, pay for and terminate insurance of its shares and share certificates with the national credit union share insurance fund or its successor. A credit union also may do all things necessary to obtain, continue, pay for and terminate private insurance coverage of its shares and share certificates in excess of the coverage for such shares and share certificates provided by the national credit union share insurance fund or its successor. Such excess coverage shall be obtained from an insurer approved by the commissioner of insurance.

(f) ~~A credit union~~ may receive from its members or other insured credit unions payments on shares and share certificates and may invest its funds in shares, share certificates or other accounts of insured credit unions. ~~Except for investments in corporate credit unions, such investments may not exceed 25% of the investing credit unions' shares, undivided earnings and reserves.~~

(g) A corporate credit union, as defined by ~~subsection (e) of~~ K.S.A. 17-2231(e), and amendments thereto, may buy and sell investment securities, as defined by the administrator, but the total amount of such investment securities of any one obligor or maker held by such credit union shall at no time exceed 15% of the shares, undivided earnings and reserves of the credit union, except that this limit shall not apply to obligations of the United States government or any agency thereof.

(h) Credit unions may enter into agreements to discount or sell student loans made pursuant to federally insured student loan programs under ~~public law~~ *Pub. L. No. 89-329*, title IV part (b) of the higher education act of 1965 as amended.

(i) A credit union may discount or sell to such corporate credit union or any financial institution or organization any real estate loan made by the credit union.

(j) ~~Credit unions~~ *A credit union* may enter into agreements with a corporate credit union to discount or sell to such corporate credit union any obligation of the United States government or any agency thereof, or of any state, municipality or any agency thereof, if the obligation at the time of purchase was a legal investment for credit unions.

(k) ~~A credit union~~ may provide that shares and share certificates may be withdrawn for payment to the account holder or to third parties, in such manner and in accordance with such procedures as may be established by the board of directors.

(l) Every credit union incorporated pursuant to or operating under the provisions of ~~this act~~ *the state credit union code* may exercise such powers, including incidental powers, as shall be necessary or requisite to enable it to carry on effectively the purposes and business for which it is incorporated.

(m) A credit union may receive from the national credit union central liquidity facility created by title III of the federal credit union act, 12 U.S.C. § 1795 et seq., payments on: (1) Shares ~~which that~~ may be issued at varying dividend rates; (2) share certificates ~~which that~~ may be issued at varying dividend rates and maturities; and (3) investments in any other accounts of the credit union. A credit union may invest its funds in the capital stock of the national credit union central liquidity facility.

(n) Subject to written guidelines issued by the administrator, a credit union may purchase notes made by individual borrowers to a financial institution at such prices as may be agreed upon by the board of directors of the purchasing credit union. No purchase may be made, however, under authority of this subsection, unless approved in writing by the administrator, if, upon the making of that purchase, the aggregate of the unpaid balances of notes of nonmembers purchased under authority of this subsection would exceed 5% of the shares, undivided earnings and reserves of the credit union.

(o) Subject to rules and regulations adopted by the administrator, a credit union, if designated by the administrator as a low-income credit union, may accept payments to share accounts by nonmembers. Such rules and regulations shall specify the maximum level of nonmember shares, the use of such shares, the term of such accounts and other requirements to address safety and soundness issues. Nonmember account holders ~~do~~ shall not have the same rights and privileges as members.

Sec. 6. K.S.A. 17-2204a is hereby amended to read as follows: 17-2204a. (a) Notwithstanding any other provision contained in the laws of this state providing for investments by credit unions, such credit unions may invest, ~~through their board of directors and~~ under written investment policies established by the board, in the bonds, debentures or other similar obligations issued under the authority of and pursuant to the act of congress known as the farm credit act of 1971, as amended. The total amount of such bonds, debentures or other similar obligations of any one obligor or maker shall at no time exceed 15% of the shares, undivided earnings and reserves of the credit union.

(b) Subject to rules and regulations of the administrator, credit unions may invest in a credit union services organization, ~~through their board of directors and~~ under written investment policies established by the board, if the credit union services organization is structured as a corporation, limited liability company or limited partnership. Subject to rules and regulations of the administrator, credit unions may make loans to such credit union services organization, except that any such investment in or loans to such credit union services organization shall not exceed, in the aggregate, 2% of the credit union's ~~unimpaired shares, undivided earnings and reserves and undivided earnings.~~ "Credit union services organization" means an organization established to provide operational and financial services primarily to credit unions.

(c) Subject to written guidelines issued by the administrator, a credit union may invest its funds, ~~through its board of directors and~~ under written investment policies established by the board, in investment securities defined by the administrator. Except for obligations of wholly owned government corporations, or obligations ~~which that~~ provide a return of principal and interest ~~which that~~ is guaranteed by an agency of the federal government, the total amount of such investment securities of any one obligor or maker held by the credit union shall at no time exceed 15% of the shares, undivided earnings and reserves of the credit union.

(d) Except as provided in ~~subsection (g) of~~ K.S.A. 17-2204, and amendments thereto, a credit union is prohibited from participating directly or indirectly in: (1) The purchase or sale of a standby commitment; (2) a futures contract; (3) ~~in~~ adjusted trading; or (4) ~~in~~ a short sale of a security. A credit union's directors, officials, committee members and employees, and immediate family members of such individuals, may not receive pecuniary consideration in connection with the making of an investment or deposit by the credit union.

(e) Nothing contained in this section shall be construed to prohibit any funds of a credit union from being invested as now provided by law.

Sec. 7. K.S.A. 2018 Supp. 17-2206 is hereby amended to read as follows: 17-2206. (a) Credit unions shall be subject to the exclusive supervision of the administrator and shall make and keep current such books and records, prepare reports and establish plans and programs

concerning the safety and soundness of the credit union as may be required by rules and regulations adopted by the administrator and shall make a report of condition to the administrator at least semiannually, on blank forms to be supplied by the administrator, notice of which reports shall be sent out by the administrator. Returns shall be verified under oath of the president or chairperson of the board, ~~whichever~~ *whomever* has been elected by the board of directors pursuant to K.S.A. 17-2209, and amendments thereto, and treasurer, and additional reports may be required by the administrator. Copies of a current balance sheet shall be furnished without charge by the administrator to any person upon request. Any credit union ~~which~~ *that* neglects to make the above reports shall ~~forfeit to the treasurer of the state~~ *be fined* up to \$50 for each day of such neglect at the discretion of the administrator.

(b) Each credit union shall be examined at least once every 18 months by the administrator or the administrator's duly authorized deputy or agent. In lieu of any particular examination, the administrator may accept an examination report made by or under the authority of the national credit union administration or its successor or successors, by any such other appropriate federal agency or by an independent auditor or certified public accountant licensed to do business in the state of Kansas if such audit and report meet the standards ~~which~~ *that* the administrator may ~~by regulation promulgate~~ *adopt by rules and regulations*. The administrator may order other examinations, and the administrator's agents shall at all times be given free access to all books, papers, securities and other sources of information ~~in~~ *with* respect to the credit union. The administrator shall have the power to subpoena witnesses, compel their attendance, require the production of evidence, administer oaths and examine any person under oath in connection with any subject relating to a duty imposed upon or a power vested in the administrator. If a credit union neglects to make the required reports or to pay the charges required, including charges for delay in filing reports, for 15 days, the administrator shall notify the credit union of the administrator's intention to revoke the certificate of approval. If the neglect or failure continues for another 15 days, the administrator may revoke the certificate of approval and shall cause one of the administrator's agents to take possession of the business of such credit union and retain possession until such time as the administrator may permit such credit union to resume business or its affairs are finally liquidated.

(c) The administrator may issue cease and desist orders or orders for corrective action or both, ~~made over the administrator's official signature, having determined if the administrator determines~~ that a credit union is engaged, ~~or has engaged, or is about to engage,~~ in an unsafe or unsound practice, or is violating, ~~or has violated, or is about to violate,~~ any law, rules and regulations or any condition imposed in writing by the administrator or any written agreement made with the administrator.

(d) If the administrator determines that a credit union is insolvent, is in a deteriorating condition, as defined in rules and regulations ~~promulgated~~ *adopted* by the administrator, or, within a reasonable time, has failed to comply with any order mailed to the last address filed by the credit union with the administrator, the administrator, as conservator or liquidating agent, pursuant to any order shall immediately, or within a reasonable time thereafter, take possession of or appoint an agent to take possession of the business and property of the credit union and retain possession, as conservator or as liquidating agent, until such time as the administrator may permit it to resume business or its affairs are finally liquidated.

(e) The administrator may approve an emergency merger in accordance with K.S.A. 17-2228, and amendments thereto, without regard to field of membership or other legal restraints. The credit union to be merged shall have a current CAMEL rating of 4 or 5, or the recognized regulatory equivalent thereof as defined in rules and regulations promulgated by the administrator, and be determined to be

undercapitalized in accordance with regulatory standards as determined by the administrator by rules and regulations. The field of membership of the merged credit union will be retained by the continuing credit union resulting from the merger.

(f) Each credit union shall pay to the administrator a fee for examination, established in accordance with this subsection. Prior to June 1 of each year, the administrator, after advising the credit union council, shall establish such annual fees as the administrator determines to be sufficient to meet the budget requirements of the department of credit unions for the fiscal year beginning July 1. Such fees shall be due and payable 30 days after receipt of billing from the department of credit unions.

(g) For a corporate credit union, the administrator may accept an audit report by a certified public accountant in lieu of the credit union departmental examination of such credit union. If the administrator accepts a certified public accountant audit in lieu of the administrator's examination of such corporate credit union, the administrator may assess such corporate credit union a fee established in accordance with subsection (f).

(h) All administrative proceedings instituted or conducted by the administrator pursuant to this act shall be conducted in accordance with the Kansas administrative procedure act, K.S.A. 77-501 et seq., and amendments thereto.

(i) The administrator, as conservator or liquidating agent:

(1) By operation of law, shall succeed to all rights, titles, powers and privileges of the credit union, and of any member, account holder, officer or director of such credit union with respect to the credit union and the assets of the credit union;

(2) shall take over the assets of and operate the credit union with all the powers of the members or shareholders, the directors and the officers of the credit union and shall be authorized to conduct all business of the credit union;

(3) may collect all obligations and money due the credit union;

(4) may perform all functions of the credit union in the name of the credit union which is consistent with the appointment as conservator or liquidating agent;

(5) shall preserve and conserve the assets and property of such credit union;

(6) may fix a reasonable amount for compensation of the conservator or liquidating agent as an expense of operation or liquidation of the credit union;

(7) may take such actions as may be necessary to put the credit union in a sound and solvent condition;

(8) may take such action as may be appropriate to carry on the business of the credit union and preserve and conserve the assets and property of the credit union; and

(9) as liquidating agent, place the credit union in liquidation and proceed to realize upon the assets of the credit union and liquidate such credit union in accordance with the provisions of K.S.A. 17-2230, and amendments thereto.

(j) A credit union approved to do business in this state under K.S.A. 17-2223a, and amendments thereto, shall pay to the administrator the same fees for examination that a state-chartered credit union is required to pay under the provisions of subsection (f). Such fees shall be paid in accordance with the provisions of subsection (f).

Sec. 8. K.S.A. 17-2207 is hereby amended to read as follows: 17-2207. The credit union fiscal year shall end at the close of business on December 31. ~~Special meetings of the members may be held by order of the board of directors or the supervisory committee and shall be held on request of 10% of the members. At all meetings each member shall have but one vote, irrespective of the number of shares held. The number of members constituting a quorum for any meeting shall be as specified in the bylaws. No member may vote by proxy, but a member may vote by absentee or mail ballot if the bylaws of the credit union so~~

~~allow. A society, association, copartnership or corporation having membership in a credit union may be represented by one person, duly authorized by the society, association, copartnership, or corporation to represent it. At any meeting the members may decide on any matter of interest to the credit union, may overrule the directors, and, by a $\frac{3}{4}$ vote of those present, may amend the bylaws, providing the notice of the meeting shall have stated the question to be considered. The annual meeting and any special meetings of the members of the credit union shall be held in accordance with the credit union's bylaws.~~

Sec. 9. K.S.A. 2018 Supp. 17-2208 is hereby amended to read as follows: 17-2208. (a) Annually the members of the credit union shall elect members of a board of directors as shall be provided in the bylaws. The bylaws shall state the manner of appointment or election of a supervisory committee. If the bylaws provide for a credit committee, the credit committee may be appointed by the board of directors or elected by the members of the credit union. All directors and committee members shall be chosen from the membership. ~~They~~ *Directors and committee members* shall hold ~~their several offices~~ *office* for such terms as may be provided in the bylaws ~~and until their successors are elected or appointed and qualified.~~

(b) One member of the supervisory committee may be a director other than the treasurer. Regular terms of supervisory committee members shall be for such term as shall be provided in the bylaws and until the selection and qualification of their successors.

(c) All members of the board and committees and all officers shall be sworn and shall hold their several offices for such terms as may be provided in the bylaws. The oath shall be subscribed by the individual taking it and certified by the officer before whom it is taken and shall immediately be transmitted to the administrator and filed and preserved in the administrator's office.

(d) The board of directors may suspend *or remove* any or all members of the credit and supervisory committees for failure to perform their duties. *Any vacancy shall be filled in accordance with the credit union's bylaws.*

~~(1) If the bylaws provide for the election of committee members, the suspension shall be effective until the next meeting of the members of the credit union, which meeting shall be held not less than seven nor more than 21 days after such suspension and at which meeting such suspension shall be acted upon by the members of the credit union.~~

~~(2) If the bylaws provide for appointment of the committee members, the suspension shall be effective until acted upon by the board at the next regular or special meeting of the board, which meeting shall be held not less than seven nor more than 21 days after such suspension.~~

~~(e) Any person suspended shall have the right to appear and be heard at the meeting.~~

Sec. 10. K.S.A. 17-2209 is hereby amended to read as follows: 17-2209. (a) At the first meeting and at each first meeting in the fiscal year following the annual meeting of the credit union, the board of directors shall elect from their own number an executive officer who may be designated as chairperson of the board or president, a vice-chairperson of the board or one or more vice-presidents, a treasurer and a secretary, of whom the last two may be the same individual, and the persons so elected shall be the executive officers of the corporation. ~~The board of directors may employ an officer in charge of operations whose title shall be either president or general manager; or, in lieu thereof, the board of directors may designate the treasurer or an assistant treasurer to act as the officer in charge of operations and be in active charge of the affairs of the credit union.~~

~~(b) The board of directors shall have the general management of the affairs, funds and records of the corporation, and unless they shall be specifically reserved to the members it shall be the special duty of the directors:~~

~~(1) To act upon all applications for membership and on the~~

~~exclusion of members. The board of directors may, however, delegate authority to a membership officer or officers to approve applications for membership under such conditions as it prescribes not inconsistent with the bylaws or law of the state. The membership officer or officers may approve but not reject, applications for membership. All unapproved applications shall pend until the board acts upon them.~~*Set the par value of shares, if any, of the credit union.*

~~(2) To determine, from time to time, rates of interest which shall be charged on loans and to authorize interest refunds, if any, on such classes of loans and under such conditions as the board prescribes.~~*Set the minimum of shares, if any, required for membership.*

~~(3) To acquire surety bonds, the amount and type of which shall be subject to the administrator's approval.~~*Designate those persons or positions authorized to execute or certify documents or records on behalf of the credit union.*

~~(4) To fix the maximum number of shares which may be held by, and the maximum or minimum amount which may be loaned to, any one member; to establish the policies of the credit union with respect to the granting of loans and the extending of lines of credit; to set such limits and balances as required for services which are to be applicable to all members in a category; and to recommend or approve amendments to the bylaws.~~*Authorize the purchase of adequate fidelity and insurance coverage for officers, directors, committee members and employees and for losses caused by persons outside the credit union for which the credit union may be liable.*

~~(5) To fill vacancies on the board of directors and credit committee until the election and qualification of successors and to fill vacancies in the supervisory committee if the bylaws so allow.~~*Authorize the employment and compensation of the chief executive officer.*

~~(6) To have charge of the investment of funds of the credit union, other than loans to members, except that the board may designate an investment committee or any qualified individual to have charge of investments under conditions established by the board; to authorize donations for civic, charitable, scientific, literary or educational purposes; to set fees and charges for the credit unions' services and to establish policies for their application; and to perform such other duties as the members may, from time to time, authorize.~~*Approve an annual operating budget for the credit union.*

~~(7) To meet at least six times each year with at least one meeting in each quarter-year period.~~*Authorize the conveyance of real property.*

~~(8) Review and approve the annual audit.~~

~~(9) Appoint any committees deemed necessary.~~

~~(10) Establish conditions under which a member may be removed for cause.~~

~~(11) Perform such other duties or authorize any action not inconsistent with the state credit union code.~~

~~(c) In addition, unless delegated, the board shall:~~

~~(1) Establish policies under which the credit union may borrow, lend and invest money to carry on the functions of the credit union.~~

~~(2) Act upon applications for membership in the credit union.~~

~~(3) Establish the loan policies under which loans may be approved.~~

~~(4) Declare dividends on shares and set the rates of interest on deposits.~~

~~(5) Determine the amount that may be loaned to a member, together with the terms and conditions of the loan.~~

~~(6) Approve the charge-off of credit union losses.~~

~~(e)(d) No member of the board of directors or of the credit or supervisory committee shall receive any compensation as a member of the board or committee. The provision of reasonable life, health, accident, disability and similar insurance protection for a director or committee member shall not be considered compensation. Directors and committee members, while on official business of the credit union, may be reimbursed for necessary expenses incidental to the~~

performance of the business. The credit union may compensate any director, committee member or officer for loss of salary or wages due to the performance of business on behalf of the credit union. ~~No salary shall be paid to any officer or other employee of a credit union except such as may have been duly approved by the board of directors.~~

~~(d) If provided for in the bylaws, the board of directors may elect an executive committee of not less than three board members. Such executive committee shall have and be able to execute such powers, duties and responsibilities of the board of directors as the bylaws may provide at such times other than regular or special meetings of the board of directors. Meetings of the executive committee shall not be counted to fulfill the requirements of paragraph (7) of subsection (b).~~

Sec. 11. K.S.A. 2018 Supp. 17-2210 is hereby amended to read as follows: 17-2210. ~~(a)~~ The credit committee, credit manager, or loan officer shall have the general supervision of all loans to members. The credit committee, credit manager or loan officer may approve or disapprove loans, subject to written policies established by the board of directors. The president or general manager or a designee thereof may serve as the credit manager.

~~(b) Any person who is denied a loan by the credit committee, credit manager or loan officer, may appeal the denial of such loan to the board of directors, if the bylaws of the credit union provide for such appeal. Such appeal shall be conducted in the manner provided in the bylaws.~~

Sec. 12. K.S.A. 2018 Supp. 17-2211 is hereby amended to read as follows: 17-2211. (a) The supervisory committee shall supervise the acts of the board of directors, credit committee and officers. The supervisory committee may suspend by a $\frac{2}{3}$ vote any officer of the credit union or any member of the credit committee or the board of directors, until the next meeting of the members of the credit union, which meeting shall be held ~~not less than seven nor more than 21~~ *within 60* days after such suspension and at which meeting such suspension shall be acted upon by the members of the credit union. Any person suspended shall have the right to appear and be heard at the meeting.

~~(b) By a majority vote the supervisory committee may call a meeting of the shareholders to consider any violation of this act or of the bylaws, or any practice of the credit union which, in the opinion of the committee, is unsafe and unauthorized.~~

~~(e)~~ The committee shall fill vacancies in their own number until the next annual meeting of the members or vacancies shall be filled in such a manner as is provided in the bylaws.

~~(d)~~*(c)* Subject to rules and regulations adopted by the administrator, the supervisory committee shall make or cause to be made a thorough annual audit of the receipts, disbursements, income, assets and liabilities of the credit union and shall make a full report to the directors, which report shall be presented at the annual meeting and shall be filed and preserved with the records of the credit union. The supervisory committee shall make or cause to be made such supplementary audits as it deems necessary or as may be ordered by the administrator, and submit reports of the supplementary audits to the board of directors. The administrator may accept in lieu of any required audit, an audit by a certified public accountant or other independent accountant.

~~(e) Subject to rules and regulations adopted by the administrator, the supervisory committee shall make, or cause to be made, a certification of members' accounts using either of the following methods:~~

~~(1) A controlled certification of 100% of members' accounts at least once each two years; or~~

~~(2) a controlled random statistical sampling in accordance with American institute of certified public accountants' guidelines which tests sufficient accounts in number and scope to assure accuracy of the members' accounts at least once each year.~~

Sec. 13. K.S.A. 17-2214 is hereby amended to read as follows: 17-2214. (a) Subject to rules and regulations prescribed by the administrator, corporate credit unions shall have the following additional powers to:

- (1) Provide access for its shareholders on a mutual basis to financial systems and the services and products of financial institutions;
- (2) provide its shareholders with research and consulting services concerning financial matters, institutions and products;
- (3) provide financial system support services and facilities;
- (4) establish and execute financial programs to assist its shareholders in meeting their needs;
- (5) provide safekeeping or trustee services to or on behalf of its shareholders;
- (6) issue shares or classes of shares with such terms and conditions as may vary from other shares authorized by this act as the administrator shall approve including, but not limited to, and notwithstanding the provisions of K.S.A. 17-2230, and amendments thereto, the subordination of such shares to other shares of the credit union ~~and the liability for a designated class of shares to be reduced in accordance with K.S.A. 17-2225, and amendments thereto~~, without reducing the liability on all other shares, except that, such shares shall have a redemption priority in liquidation or termination of membership no earlier than provided to other shares authorized by this act; and
- (7) purchase from or sell to its members participation interests in loans made by the corporate credit union or its members.

(b) A corporate credit union may lend to each member no more than 25% of ~~its~~ *the corporate credit union's* assets, except that other credit unions, operating under the provisions of this act, may lend to each other only with the approval of the administrator, up to 25% of the shares, undivided earnings and reserves of the lending credit union.

(c) Subject to written policies adopted by its board of directors and approved by the administrator, a corporate credit union may:

- (1) Make loans to;
- (2) receive payments on shares, share certificates or investments in any other account of the corporate credit union from; or
- (3) invest its funds in shares, stock or obligations of, organizations established to provide operational and financial services associated with the routine operations of credit unions.

Any investments in the capital stock of or loans to such organizations shall not exceed, in the aggregate, 2% of such credit union's shares and unimpaired capital.

Sec. 14. K.S.A. 17-2215 is hereby amended to read as follows: 17-2215. A credit union shall have the power to borrow from any source, subject to special orders of or in accordance with such rules and regulations as may be prescribed by the administrator, but the total of such borrowing shall at no time exceed 50% of the ~~capital, surplus and reserve fund~~ *shares, undivided earnings and reserves* of the borrowing credit union. Any credit union may discount with or sell to any federal intermediate credit bank any eligible obligations up to the amount of its shares and share certificates.

Sec. 15. K.S.A. 2018 Supp. 17-2216 is hereby amended to read as follows: 17-2216. (a) Subject to rules and regulations of the administrator, a credit union may loan to its members, as provided, for such purposes and upon such security as the bylaws may provide and the credit committee, credit manager or duly authorized loan officer shall approve. Loans to members shall be made in conformity with criteria established by the board of directors. No loan shall be made in excess of ~~\$500 or~~ 10% of the credit union's total assets, ~~whichever amount is greater.~~

(b) Any loan secured by the insurance or guarantee of, or with advance commitment to purchase the loan by the federal government, a state government or any agency of either may be made under the terms and conditions specified in the law under which such insurance, guarantee or commitment is provided.

Sec. 16. K.S.A. 2018 Supp. 17-2216a is hereby amended to read as follows: 17-2216a. Subject to rules and regulations of the administrator, a credit union may make loans to its directors, credit committee members and supervisory committee members or other members for which the director or committee member acts as guarantor or endorser who are not employees only if:

(a) Such a loan complies with all lawful requirements under the credit union law with respect to loans to other borrowers and is not on terms more favorable than those extended to other borrowers;

(b) in the case where, upon the making of the loan, the aggregate of loans outstanding to the borrower exceeds by ~~\$50,000~~ \$100,000 the total amount of shares, share certificates and other shareholdings in any credit union, not otherwise encumbered or pledged, which are pledged as security for the loans of the borrower, the loan is approved by the credit committee or duly authorized loan officer and the board of directors; and

(c) the borrower takes no part in the consideration of the application and does not attend any committee or board meeting while the application is under consideration. ~~All such loans shall be reported to the administrator at least annually.~~

Sec. 17. K.S.A. 17-2217 is hereby amended to read as follows: 17-2217. All entrance fees, transfer fees and charges shall, after the payment of the organization expenses, be known as reserve income, and shall be added to the reserve fund of the credit union. At the close of the fiscal year or each dividend paying period there shall be set apart to the reserve fund, such sums as are provided for in this section.

(a) A credit union shall comply with the reserve requirements of the national credit union administration rules and regulations, 12 C.F.R. § 702 in effect on the effective date of this act, or any later version as adopted by the administrator in rules and regulations.

~~(b) A corporate credit union, in lieu of other reserve requirements, at a minimum, shall set aside an amount equal to the average daily net assets of the corporate credit union, as defined by the administrator, multiplied by .0005 and then multiplied by the number of days in the transfer period divided by 365, until the total amount of the corporate credit union's reserves, undivided earnings and membership shares equal 4% of the net assets of the corporate credit union. The administrator may decrease the amounts required to be set aside by this subsection when in the administrator's opinion such decrease is necessary or desirable. A corporate credit union shall comply with the reserve requirements of the national credit union administration rules and regulations, 12 C.F.R. § 704 in effect on the effective date of this act, or any later version as adopted by the administrator in rules and regulations.~~

(c) The reserve fund shall belong to the credit union and shall be held to meet losses on loans. Other losses may be charged to the reserve fund with prior approval of the credit union administrator. The reserve fund shall not be distributed to the members except upon dissolution of the credit union.

Sec. 18. K.S.A. 2018 Supp. 17-2219 is hereby amended to read as follows: 17-2219. (a) Any member may be expelled from the credit union:

(1) By a $\frac{2}{3}$ vote of the members present at any regularly called meeting of the membership; or

(2) in accordance with the provisions of subsection (b), by the president, general manager or any other credit union employee designated by the board of directors for a member's abuse of member account privileges, a member's act or failure to act which causes financial loss to the credit union, a member's failure to purchase shares and utilize loan or other services of the credit union, or a member's failure to comply with the credit union's adopted policy regarding expulsion. The president or general manager shall report the expulsion of a member at the next regularly scheduled board meeting.

(b) The board of directors of a credit union may adopt a policy

with respect to expulsion from membership for any reason set forth in subsection (a)(2). If such a policy is adopted, ~~written~~ notice of the policy as adopted and effective date of such policy shall be ~~mailed~~ *provided* to each member of the credit union ~~at the member's current address appearing on the records of the credit union~~ *not less no fewer* than 30 days prior to the effective date of such policy. In addition, each new member shall be provided ~~written~~ notice of any such policy prior to or upon applying for membership. An expelled member shall be informed of the reason for expulsion and may appeal the expulsion to the board of directors by making a written request to the board of directors within 30 days of the expulsion.

(c) A member may withdraw from a credit union, as hereinafter provided, by filing a written notice of such intention. All amounts paid on shares of an expelled or withdrawing member, with any dividends credited to the member's shares to the date of expulsion, or withdrawal, shall be paid to the member, but only as funds become available and after deducting any amounts due to the credit union by the member. All shares of an expelled or withdrawing member, with any interest accrued, shall be paid to the member, subject to 60 days' notice, and after deducting any amounts due to the credit union by the member. The member, when withdrawing shares, shall have no further right in the credit union or to any of its benefits, but such expulsion or withdrawal shall not operate to relieve such member from any remaining liability to the credit union.

Sec. 19. K.S.A. 2018 Supp. 17-2221a is hereby amended to read as follows: 17-2221a. (a) After first applying for and obtaining the approval of the administrator, a credit union incorporated under the laws of this state, may establish and operate one or more branches or relocate an existing branch, in accordance with its stated field of membership as approved by the administrator. The application shall include proof of publication of notice that the applicant credit union intends to file or has filed an application to establish a branch or relocate an existing branch. The notice shall be published in a newspaper of general circulation in the county where the applicant credit union proposes to locate the branch. The notice shall be in the form prescribed by the administrator and at a minimum shall contain the name and address of the applicant credit union and the location of the proposed branch. The notice shall be published on the same day for two consecutive weeks.

(b) (1) If the credit union has a current CAMEL rating of 3, 4 or 5, or the recognized regulatory equivalent thereof as defined in rules and regulations promulgated by the administrator, the application shall also contain a solicitation for written comments and provide for a comment period of not less than 10 days after the date of the second publication. Upon receipt of the application and following expiration of the comment period, the administrator may hold a hearing in the county in which the applicant credit union seeks to operate the branch. The applicant shall publish notice of the time, date and place of such hearing in a newspaper of general circulation in the county where the applicant credit union proposes to locate the branch, not less than 10 nor more than 30 days prior to the date of the hearing, and proof of publication shall be filed with the administrator. At any such hearing, all interested persons shall be allowed to present written and oral evidence to the administrator, or the administrator's designee, in support of or in opposition to the branch. Upon completion of a transcript of the testimony given at any such hearing, the transcript shall be filed in the office of the administrator.

(2) If the administrator determines a public hearing is not warranted, the administrator shall approve or disapprove the application within 15 days after receipt of a complete application but not prior to the end of the comment period. If a public hearing is held, the administrator shall approve or disapprove the application within 60 days after consideration of the complete application and the evidence gathered during the administrator's investigation. The period for

consideration of the application may be extended if the administrator determines the application presents a significant supervisory concern. If the administrator finds that:

(A) There is a reasonable probability of usefulness and success of the proposed branch;

(B) the proposed branch is in accordance with the applicant's field of membership approved by the administrator as set forth in K.S.A. 17-2205, and amendments thereto; and

(C) the applicant credit union's financial condition is sound, including an analysis of the loan portfolio to ensure that the applicant credit union is not exceeding the limitation on member business loans provided in 12 U.S.C. ~~Section § 1757a, and amendments thereto,~~ the new branch or relocation shall be granted, otherwise, it shall be denied.

(3) Within 15 days after any final action of the administrator approving or disapproving an application, the applicant, or any adversely affected or aggrieved person who provided written comments during the specified comment period, may request a hearing with the administrator. Upon receipt of a timely request, the administrator may conduct a hearing in accordance with the provisions of the Kansas administrative procedure act. Any decision of the administrator is subject to review in accordance with the Kansas judicial review act.

(c) ~~For purposes of this section:~~

(1) ~~"Administrator" shall have the meaning ascribed to it in K.S.A. 17-2233, and amendments thereto.~~

(2) ~~"Branch" means any office, agency or other place of business located within this state, other than the place of business specified in the credit union's certificate of organization, at which deposits are received, checks paid, or money lent.~~

(d) The administrator may adopt rules and regulations necessary to implement this section.

Sec. 20. K.S.A. 17-2226 is hereby amended to read as follows: 17-2226. (a) Credit unions may purchase, lease, hold or rent real estate and improvements thereon for their current or future use and occupancy. ~~Without the written approval of the administrator, such expenditure shall not exceed 5% of total shareholdings, reserves and undivided earnings.~~

(b) A credit union may purchase, rent, hold, contract for, acquire or lease any material, equipment or service which may be necessary or incidental to its operation. ~~The aggregate of all such purchases, rentals, holdings, contracts, acquisitions or leases when required by generally accepted accounting principles to be entered as an asset or a liability shall not exceed, when aggregated with amounts expended pursuant to subsection (a) of K.S.A. 17-2226, and amendments thereto, 5% of the credit union's shares, reserves and undivided earnings without the written approval of the administrator.~~

(c) A credit union may rent or lease a portion of its building, fixed assets or property and may acquire, lease, hold, assign, pledge, sell or otherwise dispose of property or other assets, either in whole or in part, necessary or incidental to its operations and purposes.

Sec. 21. K.S.A. 2018 Supp. 17-2228 is hereby amended to read as follows: 17-2228. Any credit union, with the approval of the administrator, may merge with another credit union under the charter of such other credit union, pursuant to any plan agreed upon by the majority of the board of directors of each credit union joining in the merger, and approved by the members of each such credit union organized under the provisions of this act, either by the affirmative vote of a majority of those members present at a meeting of its members duly called for such purpose or by the affirmative vote in writing of a majority of its members who participate in the vote on the merger plan without a meeting. After such agreement by the directors and approval of the members of each credit union organized under the provisions of this act, the president or chairperson of the board and secretary of each credit union organized under the provisions of this act, shall execute ~~in triplicate,~~ a certificate of merger, ~~which that~~ shall set forth ~~all of the~~

following:

- (a) The time and place of the meeting of the board of directors at which the plan was agreed upon;
- (b) the vote in favor of adoption of the plan;
- (c) a copy of the resolution or other action by which the plan was agreed upon;
- (d) the time and place of the meeting of the members at which the plan agreed upon was approved; and
- (e) the vote by which the plan was approved by the members.

Such ~~certificates, in triplicate~~ *certificate of merger*, a copy of the plan of merger agreed upon, and any necessary approvals or consents for a merging credit union organized under the provisions of any other jurisdiction shall be forwarded to the administrator. Upon receipt of these documents, the administrator shall determine whether the merger meets the statutory requirements for field of membership set forth in K.S.A. 17-2205, and amendments thereto. If the merger is approved, a copy of the certificate, certified by the administrator, shall be returned to the merging credit unions within 30 days. The date of certification of the merger by the administrator shall constitute the date of approval. Upon any such merger so effected, all property, property rights and interest of the merged credit union shall vest in the continuing credit union without deed, endorsement or other instrument of transfer, and all debts, obligations and liabilities of the merged credit union shall be deemed to have been assumed by the continuing credit union under whose charter the merger was effected.

This section shall be construed, whenever possible, to permit a credit union chartered under any other act to merge with one chartered under this act or to permit one chartered under this act to merge with one chartered under any other act. The charter of the terminating credit union shall, upon merger, be canceled and voided by operation of law.

Sec. 22. K.S.A. 17-2229 is hereby amended to read as follows: 17-2229. (a) A credit union may sell all or any part of its assets to another credit union or it may purchase all or any part of the assets of another credit union in accordance with this section.

(b) The purchasing credit union may assume, as part of the purchase price, any or all of the liabilities of the selling credit union and may pay the balance in cash or by the issue of shares to the selling credit union of the members thereof whether or not such members are members of the purchasing credit union.

(c) The selling credit union shall enter into an agreement with the purchasing credit union containing the terms and conditions of the sale; ~~and. If the assets being sold are valued at an amount greater than 10% of either the purchasing credit union's or the selling credit union's total amount of shares, undivided earnings and reserves,~~ the selling credit union shall ~~within one (1) month after the agreement is signed~~ file a copy ~~thereof of the agreement~~ with the administrator ~~within one month after it is signed~~. The agreement shall be approved or disapproved by the administrator ~~within thirty (30) 30 days,~~ otherwise the same shall be deemed approved.

~~(d) If and when the agreement is approved by the administrator, each of the credit unions shall submit it to a meeting of its shareholders stating the purpose for which the meetings are called.~~

~~(e) If the agreement is approved by the shareholders of each of the credit unions by at least three-fourths ($\frac{3}{4}$) vote of the shareholders present at each meeting, the secretary of each credit union shall certify on the agreement that it has been so approved and shall forward a copy of the agreement so certified to the administrator.~~

~~(f) Upon the approval of the shareholders of each of the credit unions, the agreement is binding on each of the credit unions and the sale shall thereafter be completed as of the effective date specified in the agreement which shall be a date subsequent to the approval by the shareholders of each of the credit unions.~~

~~(g) In the event the agreement does not specify an effective date, the administrator may fix a date upon which it will become effective.~~

(h)(e) If the selling credit union has disposed of all assets under the agreement, it shall cease to carry on business on the effective date of agreement, except for the purpose of winding up its affairs, and it shall dissolve as soon as possible thereafter, and all reserves shall go to the purchasing credit union under the terms and conditions of the agreement.

Sec. 23. K.S.A. 17-2230 is hereby amended to read as follows: 17-2230. (a) *Voluntary*. At a meeting especially called to consider the matter, a majority of the entire membership may vote to dissolve the credit union, provided a copy of the notice was mailed to the administrator at least 10 days prior thereto. Any member not present at such meeting may, within the next 20 days, vote in favor of dissolution by signing a statement in form approved by the administrator and such vote shall have the same force and effect as if cast at such meeting. The credit union shall thereupon immediately cease to do business except for the purposes of liquidation, and the executive officer of the board and secretary of the board shall, within five days following such meeting, notify the administrator of intention to liquidate and shall include a list of the names of the directors and officers of the credit union together with their addresses. Any credit union which has voted to enter into voluntary dissolution may by action of its board of directors make a written application to the administrator for the appointment of a liquidating agent and the administrator shall then exercise such powers of appointment, control and supervision of a liquidating agent as is provided in K.S.A. 17-2206, and amendments thereto, and liquidate such credit union in accordance with the provisions of this section.

(b) *Involuntary*. If it shall appear that any credit union is insolvent, or that it has violated any of the provisions of this act, the administrator may order such credit union to correct such condition and shall grant it a reasonable time under the circumstances of the case within which to comply, and failure to do so shall afford grounds for revocation of the corporate charter or the appointment of a conservator. When the administrator finds that a credit union is insolvent, the administrator, pursuant to order, shall become the conservator and may appoint an agent and require the agent to give such bond as the administrator deems proper. The administrator also shall fix reasonable compensation for the agent but the same shall be subject to approval of the district court of the county wherein such credit union is located upon application of any party in interest. The administrator may appoint as agent any person, ~~the Kansas credit union league~~, or the insurer or guarantee corporation required under K.S.A. 17-2246, and amendments thereto, for the credit union involved. Upon an order of the administrator to liquidate such credit union, such agent shall follow the liquidation procedure set out herein. Any agent appointed shall make a complete report to the administrator covering the acts and proceedings as such agent. The administrator may remove any agent, with or without cause, and appoint a successor. The agent, under the direction of the administrator, shall take charge of any insolvent credit union and all of its assets and property and liquidate the affairs and business for the benefit of its creditors and shareholders as provided in this section. The agent may sell or compound all bad and doubtful debts and sell all the property of any such credit union upon such terms as the administrator shall approve. The administrator shall have the general supervision of all the acts of the agent. All claims of creditors and shareholders must be filed with the agent within one year after the date of the agent's appointment, and if any shareholder claim or creditor claim is not so filed then it shall be barred from participation in the estate and assets of any such credit union. The agent of any insolvent credit union may borrow money and pledge the assets of such insolvent credit union but only upon prior written approval of the administrator. At least once each year the administrator shall examine every credit union in the hands of an agent and copies of such examination reports shall be available to any interested shareholder or creditor by written

request made to the administrator. Every agent shall submit the records and affairs of such credit union to an examination by the administrator or the administrator's assistant and examiners whenever the agent is requested to do so. The agent of any credit union shall make reports to the administrator in the same manner as required of other credit unions.

(c) *Liquidating procedure.* The credit union shall continue in existence for the purpose of discharging its debts, collecting and distributing its assets, and doing all acts required in order to wind up its business and may sue and be sued for the purpose of enforcing such debts and obligations until its affairs are fully adjusted.

The board of directors, or the liquidating agent shall use the assets of the credit union to pay in the following order: (1) Expenses incidental to liquidation including any surety bond that may be required; (2) remaining liabilities other than shareholdings; and (3) the assets then remaining, if any, shall be distributed to the savings held by each member or other shareholder as of the date dissolution was voted.

As soon as the board or the liquidating agent determines that all assets from which there is a reasonable expectancy of realization have been liquidated and distributed as set forth in this section, they shall execute a certificate of dissolution on a form prescribed by the administrator and file same with the register of deeds of the county wherein the credit union had its registered office, who shall, after recording and indexing same, forward it to the administrator, whereupon such credit union shall be dissolved. The administrator shall furnish a copy of the certificate of dissolution to the secretary of state.

Sec. 24. K.S.A. 17-2231 is hereby amended to read as follows: 17-2231. The following words and terms used in chapter 17; of article 22 of the Kansas Statutes Annotated, *and amendments thereto*, shall have the meanings respectively ascribed to them in this section. (a) "Council" means the credit union council created by this act.

(b) "Administrator" means the credit union administrator provided for in K.S.A. 17-2233, and amendments thereto.

(c) "Credit union" means a cooperative, ~~nonprofit~~ *not-for-profit* association, incorporated for the purpose of creating a source of credit at a fair and reasonable rate of interest, of encouraging habits of thrift among its members, and of providing the opportunity for people to use and control their money for their mutual benefit.

(d) "Department" or "credit union department" means the state department of credit unions established by K.S.A. 17-2234, and amendments thereto.

(e) "Corporate credit union" means a credit union ~~in which no individual may purchase more than \$5 share and from which no individual may borrow money.~~ "Individual" as used in this subsection shall mean ~~natural persons only~~ *that is cooperatively organized and owned by its members that offers liquidity, investment, back office processing, deposit and lending facilities and other products and services tailored to the unique needs of its members.*

(f) "~~Nonprofit~~ *Not-for-profit* association" means, for purposes of this act, an association whose individual operations are not intended to generate, in the aggregate, an excess of revenues over the sum of expenses, distribution returns to members, appropriate reserves and capital that are consistent with the credit union's purposes and measured on an ongoing basis of the credit union as a whole.

(g) "Low-income credit union" means a credit union with a field of membership in which more than one-half earn less than 80% of the national median household income; or the credit union may document that more than 50% of its members make less than 80% of the national average wage.

(h) "*Credit union services organization*" means an organization established to provide operational and financial services to credit unions.

(i) "*Federal intermediate credit bank*" means a bank sponsored by the federal government to provide funds to financial institutions for the making of agricultural loans.

(j) *"Electronic notice" means notice that is provided in writing and delivered by electronic means to the electronic mail address specified by the member for that purpose. A member who provides an electronic mail address to the credit union for such purposes shall be deemed to have consented to receive notices and correspondence by electronic means.*

(k) *"Branch" means any office, agency or other place of business located within the state, other than the place of business specified in the credit union's certificate of organization, at which deposits are received, checks paid or money lent.*

Sec. 25. K.S.A. 2018 Supp. 17-2233 is hereby amended to read as follows: 17-2233. The credit union administrator shall be appointed by the governor, subject to confirmation by the senate as provided in K.S.A. 75-4315b, and amendments thereto. Except as provided by K.S.A. 46-2601, and amendments thereto, no person appointed as administrator shall exercise any power, duty or function as administrator until confirmed by the senate. Any person appointed as the administrator shall have at least three years' actual, practical experience in the operation and management of a credit union. The administrator shall not be a member of the council. The governor shall fix the compensation of the administrator. In addition, the administrator shall be entitled to receive the actual and necessary expenses incurred in the performance of the administrator's duties. The administrator shall be in the unclassified service under the Kansas civil service act. ~~The term of office of the administrator holding office on the effective date of this act shall expire on December 31, 2009. Thereafter,~~ The administrator shall be appointed for a term of four years and until a successor is appointed and confirmed. If a vacancy occurs, the governor shall appoint a successor to fill the vacancy for the unexpired term. The administrator shall attend the meetings of the council and shall have the general charge of the work of the council and the general supervision of credit unions. The administrator shall keep a permanent record of all meetings and proceedings of the council ~~at the office of the administrator.~~

Sec. 26. K.S.A. 2018 Supp. 17-2234 is hereby amended to read as follows: 17-2234. (a) (1) There is hereby established the state department of credit unions, which shall be under the administrative supervision of the administrator as directed by law. The administrator may appoint or employ an attorney to assist the department in its functions under this act, and in accordance with the civil service law, such special assistants, deputies or examiners, and other employees, as may be necessary for the purpose of administering and enforcing the provisions of this act.

(2) The administrator is hereby authorized to appoint financial examiners and ~~an administrative assistant~~ *other staff* who shall be in the unclassified service under the Kansas civil service act ~~and shall receive an annual salary fixed by the administrator in accordance with an equitable salary schedule established by the administrator and approved by the governor for all unclassified positions. The average of the salaries shall not exceed the average compensation of corresponding state regulatory positions in similar areas.~~ The administrator's salary schedule for unclassified positions shall be reported to the credit union council annually.

(b) Nothing in subsection (a) shall affect the classified status of any person employed with the department of credit unions on the day immediately preceding the effective day of this act.

~~(c) (1) Subject to the provisions of the appropriation acts, the administrator may appoint financial examiners, financial examiner administrators, case managers and a business manager within the department of credit unions as determined necessary by the administrator to effectively carry out the mission of the department. Each financial examiner, financial examiner administrator, case manager or business manager appointed after the effective date of this act shall be in the unclassified service under the Kansas civil service~~

~~act, shall have special training and qualifications for such positions, shall serve at the pleasure of the administrator and shall receive compensation in accordance with an equitable salary schedule established by the administrator and approved by the governor for all unclassified positions. The administrator shall prepare and maintain an equitable salary schedule for such appointed positions.~~

~~(2) The average of the amount of compensation in the administrator's salary schedule for such appointed positions in the unclassified service shall not exceed the average compensation of corresponding state regulatory positions in similar areas. The administrator's salary schedule for unclassified positions shall be reported to the credit union council annually.~~

~~(d) Each special assistant, deputy, examiner and other such employees as may be necessary for the purpose of administering and enforcing the provisions of this act shall submit to a security background check prior to being employed in such position. Upon the commencement of the interview process, every candidate shall be given a written notice that a security background check is required. The security background check shall be limited to criminal history record information as provided by K.S.A. 22-4701 et seq., and amendments thereto. If the criminal history record information reveals any conviction of crimes of dishonesty, such conviction may be used to disqualify a candidate for any position within the office of the department of credit unions. If the criminal history record information is used to disqualify a candidate, the candidate shall be informed in writing of that decision. Upon determining whether to hire or disqualify a candidate, the candidate's criminal history record information report shall be destroyed. The candidate's personnel file shall only contain a statement that a security background check was performed and the date thereof.~~

~~(e)(d) The state department of credit unions shall submit an employment candidate's fingerprints to the Kansas bureau of investigation and to the federal bureau of investigation for the purpose of determining whether the applicant has a criminal record.~~

Sec. 27. K.S.A. 2018 Supp. 17-2246 is hereby amended to read as follows: 17-2246. (a) (1) Every credit union which is organized and operating under the laws of the state of Kansas, except a corporate credit union, shall insure the shares of each shareholder of such credit union.

(2) Every credit union shall insure the shares of each shareholder of such credit union with the national credit union share insurance fund, *NCUSIF*, or its successor.

(b) (1) The application for *NCUSIF* insurance shall be filed with the Kansas state department of credit unions, then forwarded to the national credit union administration.

(2) Every credit union chartered after the effective date of this act shall obtain *NCUSIF insurance* coverage prior to commencing business.

(3) The administrator may suspend the charter, merge, liquidate, or take possession of any credit union which fails to comply with the provisions of this section or which loses or allows such coverage to lapse.

(c) Every credit union shall forward a copy of the *NCUSIF* certificate of insurance to the administrator within 30 days after the credit union receives the certificate.

(d) (1) Every credit union shall take every action legally required to maintain *NCUSIF* insurance coverage in full force and effect, and shall refrain or desist from taking any action that is likely to cause termination of *NCUSIF* insurance coverage.

(2) The administrator shall order the merger, consolidation, or liquidation of any credit union whose *NCUSIF* insurance is terminated.

Sec. 28. K.S.A. 2018 Supp. 17-2263 is hereby amended to read as follows: 17-2263. (a) Subject to the provisions of this section and K.S.A. 17-2264, and amendments thereto, an individual adult or minor,

hereafter referred to as the ~~shareholder member~~, may enter into a written contract with any credit union located in this state providing that the balance of the ~~shareholder's member's~~ account, or the balance of the ~~shareholder's member's~~ legal share of an account, at the time of death of the ~~shareholder member~~ shall be made payable on the death of the ~~shareholder member~~ to one or more persons or, if the persons predecease the owner, to another person or persons, hereafter referred to as the beneficiary or beneficiaries. If any beneficiary is a minor at the time the account, or any portion of the account, becomes payable to the beneficiary and the balance, or portion of the balance, exceeds the amount specified by K.S.A. 59-3053, and amendments thereto, the moneys shall be payable only to a conservator of the minor beneficiary.

(b) Transfers pursuant to this section shall not be considered testamentary or be invalidated due to nonconformity with the provisions of chapter 59 of the Kansas Statutes Annotated, and amendments thereto.

(c) Every contract authorized by this section shall be considered to contain a right on the part of the ~~shareholder member~~ during the ~~shareholder's member's~~ lifetime both to withdraw funds on deposit in the account in the manner provided in the contract, in whole or in part, as though no beneficiary has been named, and to change the designation of beneficiary. The interest of the beneficiary shall be considered not to vest until the death of the ~~shareholder member~~ and, if there is a claim pursuant to K.S.A. 39-709, and amendments thereto, until such claim is satisfied.

(d) No change in the designation of the beneficiary shall be valid unless executed in the form and manner prescribed by the credit union and delivered to the credit union prior to the death of the ~~shareholder member~~.

(e) For the purposes of this section, the balance of the ~~shareholder's member's~~ account or the balance of the ~~shareholder's member's~~ legal share of an account shall not be construed to include any portion of the account ~~which~~ that under the law of joint tenancy is the property of another joint tenant of the account, upon the death of the owner.

(f) As used in this section, "person" means any individual, individual or corporate fiduciary or nonprofit religious or charitable organization as defined by K.S.A. 79-4701, and amendments thereto.

Sec. 29. K.S.A. 17-2268 is hereby amended to read as follows: 17-2268. Except for persons who are executive officers, an officer or director of a credit union ~~or federal credit union~~ shall have no personal liability to the credit union ~~or federal credit union~~ or its members for monetary damages for breach of duty as an officer or director, except that such liability shall not be eliminated for: (a) Any breach of the officer's or director's duty of loyalty to the credit union or its members; (b) acts or omissions which constitute willful or gross and wanton negligent breach of the officer's or director's duty of care; (c) acts in violation of K.S.A. 17-2209, and amendments thereto; or (d) any transaction from which the officer or director derived an improper personal benefit. For purposes of this section, "executive officer" means the chairperson of the board, the president, each vice-president, ~~the cashier~~, the secretary and the treasurer of a credit union ~~or federal credit union~~, unless such officer is excluded by resolution of the board of directors or by the bylaws of the credit union ~~or federal credit union~~ from participation in the policymaking functions of the credit union ~~or federal credit union~~, and the officer does not actually participate in the policymaking functions of the credit union ~~or federal credit union~~.

Sec. 30. K.S.A. 17-2201, 17-2203, 17-2204a, 17-2207, 17-2209, 17-2214, 17-2215, 17-2217, 17-2224, 17-2225, 17-2226, 17-2229, 17-2230, 17-2231, 17-2242 and 17-2268 and K.S.A. 2018 Supp. 17-2202, 17-2204, 17-2206, 17-2208, 17-2210, 17-2211, 17-2216, 17-2216a, 17-2219, 17-2221a, 17-2228, 17-2233, 17-2234, 17-2246 and 17-2263 are hereby repealed.

Sec. 31. This act shall take effect and be in force from and after its publication in the statute book.

I hereby certify that the above Bill originated in the House, and passed that body

Speaker of the House.

Chief Clerk of the House.

Passed the SENATE _____

President of the Senate.

Secretary of the Senate.

APPROVED _____

Governor.