

To: Kansas Senate Committee on Financial Institutions and Insurance  
From Kansas Department of Credit Unions  
Date: January 12, 2023  
Re: Credit Union Update

The following is information the Kansas Department of Credit Unions would like to present to the committee:

#### **Credit Union and KDCU overview:**

- First state-chartered credit union was formed in 1929 serving postal service and civil service employees.
- State-chartered credit unions are exempt from income tax under section 510(c)(14) of the Internal Revenue Code
- The state has 50 state-chartered credit unions with assets in excess of \$6 billion
- KDCU began in 1968 when Kansas Legislature approved the regulation and examination of credit unions from the Office of the State Bank Commissioner.
- The legislature requires all state-chartered credit unions to pay an annual examination fee to fund the agency
- All fees are remitted to the Credit Union Fee Fund except for 10% of fees (up to \$100,000.00) credit to the State General Fund.
- KDCU staffing consists of 12 FTE's (1-Administrative Specialist, 1- Administrative Officer, 1- Financial Examiner Administrator, 8- Financial Examiners, 1-Administrator). Information on budget attached as Exhibit A.

#### **Examination Process Overview:**

- Examination Cycle
  - Kansas law requires examination to occur at least every 18 months.
  - KDCU average between examinations is 15 months, this has been the standard for the agency since 2005.
  - KDCU operates and conducts examinations under standards established by the NCUA, the federal credit union regulator/insurer.
- Safety and Soundness Examination
  - Evaluation of six financial risk areas which lead to a CAMELS rating. These ratings are:
    - Capital
    - Asset Management
    - Management
    - Earnings
    - Liquidity
    - Sensitivity
  - Each of the financial risk areas is assigned an individual rating of 1 (least financial risk to 5 (most financial risk)
  - Currently, Kansas has 9 credit unions rated CAMELS 1, 26 rated CAMELS 2, 12 rated CAMELS 3, and 3 rated 4).
  - Seven risk areas are reviewed to determine a risk rating of low, moderate, high these areas include:
    - Credit
    - Interest Rate

- Liquidity
  - Transaction
  - Compliance
  - Strategic
  - Reputation
- Agency challenges
  - Recruitment and retention of qualified staff.
  - Staying abreast of technological changes in the industry
- Credit Union Challenges
  - Maintaining sufficient earnings to provide products and services to members
  - Staying relevant with ever changing consumer preferences
  - Cybersecurity
  - Rapidly changing economic conditions
- Credit Union Statistics as of September 30, 2022, see Exhibit B attached
  - Total members of state-chartered credit unions 533,519
  - Largest state-chartered credit union Credit Union of America (Wichita) with total assets of more than \$1.3 billion
  - Smallest credit union is Catholics United (Hutchinson) with assets just under \$200,000
  - Catholics United is also our newest credit union, chartered in 2005
  - Loans for Kansas chartered credit unions \$4,935,606,098
  - Share deposits for Kansas chartered credit unions \$5,589,335,3
  - Average delinquency ratio 0.53%
  - Return on assets 0.53%
  - Average net worth to total assets ratio for Kansas chartered credit unions was 11.49%

Exhibit A

KANSAS DEPARTMENT OF CREDIT UNIONS  
 TOTAL BUDGET FUNDS  
 FOR FY2023

<b>Acct Code</b>	<b>Budget Line Item</b>	<b>Budget Amt for FY 2023</b>
100	Total Salary and Wages	1,046,968.00
200	Communication	26,850.00
210	Frnt., Express & Moving	500.00
220	Printing & Adver	150.00
230	Rents	48,125.00
240	Rpr & Servicing	10,957.00
250	Travel & Subsistence	64,583.00
260	Fees – Other Services	36,278.00
270	Fees – Profess Services	1,325.00
290	Other Contract Serv	21,287.00
320	Human Consumption	600.00
340	Other Equipment Materials	50.00
350	Gasoline	1,037.00
360	Professional & Spl	100.00
370	Stationery & Office Spl	5,803.00
390	Other Supplies & Materials	350.00
400	Total Capital Outlay	31,550.00

Total Expenditures: \$ 1,310,139.00

## Exhibit B

### Kansas state-chartered credit unions

Charter	CU Name	City	Assets	Members
60037	MIDWEST REGIONAL	KANSAS CITY	77246818	6662
60039	PEOPLES CHOICE	Coffeyville	7947563	691
60062	CREDIT UNION OF AMERICA	Wichita	1380113985	90103
60295	KANSAS BLUE CROSS-BLUE SHIELD	TOPEKA	54818923	3533
60731	CAMPUS	Wichita	33472663	4631
60906	MID-KANSAS	MOUNDRIDGE	72130668	4106
61765	CENTRAL KANSAS EDUCATION	Salina	4197731	810
61783	CO-OPERATIVE	COFFEYVILLE	22695131	3232
61823	AZURA	Topeka	737616375	60428
62031	HEARTLAND	HUTCHINSON	594306256	36121
62542	GOLDEN PLAINS	Garden City	916656859	85596
62702	K.U.M.C.	Shawnee	31037312	2270
62840	WAKARUSA VALLEY	Lawrence	3013106	572
62894	ARK VALLEY	Arkansas City	50966964	8624
63042	TOPEKA FIREMEN'S	TOPEKA	8827311	1010
63090	HUTCHINSON GOVERNMENT EMPLOYEES	Hutchinson	23329761	2450
63169	RELIANCE	Kansas City	29669617	2204
63189	WHITE EAGLE	Augusta	148870239	15146
63201	FRONTIER COMMUNITY	LEAVENWORTH	185703939	16469
63211	WHEAT STATE	Wichita	24162698	3448
63217	1ST KANSAS	Topeka	11650538	1299
63300	SKYWARD	WICHITA	391110051	18967
63319	CREDIT UNION OF EMPORIA	EMPORIA	35021313	3322
63374	FARMWAY	BELOIT	105336511	7551
63598	B&V	OVERLAND PARK	62216159	4924
65371	MCPHERSON CO-OP	MCPHERSON	44086338	3314
65378	MID AMERICAN	Wichita	408050328	44322
65466	MORTON	South Hutchinson	5492265	771

66036	KAN COLO	HOISINGTON	1128162	112
66299	K C K FIREMEN & POLICE	KANSAS CITY	18968736	1905
67187	QUANTUM	Wichita	144463913	11361
67263	BELL	HUTCHINSON	21406885	1996
67730	DILLON	HUTCHINSON	63261471	4603
67760	FORBES FIELD	Topeka	5659675	551
67783	C & R	CLAY CENTER	5144236	817
67785	TOPEKA POLICE	TOPEKA	7008938	1010
67797	ELLIS	ELLIS	5217969	711
67799	SALINA INTERPAROCHIAL	SALINA	18719476	2306
67800	SALINA MUNICIPAL	SALINA	1749569	434
67810	UNITED	NESS CITY	12626982	915
67812	MID PLAINS	GLASCO	1557080	275
67829	HUTCHINSON POSTAL & COMMUNITY	HUTCHINSON	4465485	742
67855	TRI-COUNTY	GRINNELL	5659530	514
67856	CREDIT UNION OF DODGE CITY	Dodge City	110657141	11574
67995	KANSAS TEACHERS COMMUNITY	Pittsburg	133417119	13213
68407	ENTERPRISE	Enterprise	1555841	379
68411	BLUESTEM COMMUNITY	EL DORADO	11719016	1435
68547	CATHOLICS UNITED	SOUTH HUTCHINSON	193871	112
68557	CROSSROADS	GOESSEL	12419524	1068