



Kansas Department of Credit Unions Quarterly Newsletter

Volume 1, Issue 1

March 2024

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A Note from Administrator Julie Murray

Welcome to my first newsletter! While I can't claim it's the first newsletter, it has been a while. Previously, the agency issued a quarterly newsletter, then switched to a bi-weekly bulletin. While a bi-weekly format did allow us to spend more time on a specific topic, it can become difficult to provide fresh content, not to mention time consuming. Hopefully, the quarterly timeframe will allow us to provide information in a manner which is timely enough to not be stale, but infrequent enough we don't feel like spam. 😊 It has been our intent to bring back the newsletter for a while, but wanted to time it with the introduction of our new website (which is scheduled to roll out in mid-May).

From the questionnaires which were sent to our credit unions, it appears areas of interest include:

- 1) The numbers. I think we will try to do something at least semi-annually with this, if not quarterly. While your examination reports include peer numbers, those numbers are national figures. We can break down some Kansas figures and provide trends.
- 2) Frequent exam issues. This is easy, we will have a short synopsis of those items we may be finding in multiple examinations. I imagine this will be a bit repetitive. When there are trends in findings throughout the state, it is usually related to a new regulatory requirement or a new area of review.
- 3) New or upcoming compliance issues.
- 4) Departmental updates.

My goal is for this to be information you find beneficial. So, if you are looking for something specific, please let me know. I'm happy to incorporate additional information.

I do want to thank everyone who participated in the working group to modernize the Credit Union Code. As I write this, our bill passed the Senate and is waiting to be signed into law. Our next work will be to update the administrative regulations. I will be reaching out to the original working group, but if you would like to be added to the list, please reach out. I don't anticipate starting this process until later this year, but I will make sure to put an article in the newsletter when we are gearing up for the project so we can get input from everyone.

I was recently on a flight where the flight attendant wished us all a great day, and then went on to say, "if you can't have a great day, don't you dare ruin someone else's." I love that, so I wish you all a great day, and if you can't have a great day, don't you dare ruin someone else's.

Julie

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Fun with Numbers

Many credit unions expressed a desire for more information on credit union trends: “the numbers.” I’ve put together some information based on the things I look at. While you will see peer group calculations in your FPR and on your examination, if you break it down, there really wasn’t a clear trend in any area of review. Putting this data on a scatter graph demonstrates that clearly. However, I’ve put together some averages just for your reference. This information is for all credit unions operating in Kansas, including FCU’s and credit unions chartered in other states. I think this is your playing field, so it made sense to include all the data.

- Net Worth Ratio: the average NWR is 13.82%; ranging between 7.46% and 51.07% (that is not a typo). The average NWR for 2022 was 13.08%.
- Earnings: the average for earnings was \$1,468,820. This figure really doesn’t provide any real insight, so I broke it down into peer groups. Of the 67 credit unions analyzed, 14 recognized losses in 2023.
 - Asset size under 20 million: average net income \$28,177
 - 20 million to 50 million: average net income \$140,449
 - 50 million to 100 million: average net income \$273,252
 - 100 million to 250 million: average net income \$844,134
 - 250 million to 500 million: average net income \$479,808
 - 500 million to 1 billion: average net income \$4,539,635
 - 1 billion and over: \$19,389,817
- Shares and deposits increased to \$13,196,687,857 over 2022’s report of \$8,343,738,96
- Average annualized was ROA 0.54%
- Past Due + NA 3.61%; big jump over last year’s 1.78%

If there are figures you are interested in which I have not included, shoot me an email and I will get those in the next report.

Department Update

Training:

- Examiner Debbie Johnson has completed NCUA New Examiner Training and will be transitioning to leading small credit union examinations.
- Two examiners will be attending Regulatory Compliance Certification School, offered by America’s Credit Unions, to obtain their Credit Union Compliance Expert (CUCE) credentials.
- One examiner will be attending Business Lending Certification School, offered by America’s Credit Unions.
- In addition, examiners will receive training in the 2nd quarter on Consumer Protection, BSA/AML, Payment Systems and Information Technology.
 - Financial Examiner Administrator Gail Bright, as a faculty member for the Southwest Credit Union Management School, presented Elder Financial Exploitation Training to 105 individuals (including alumni, students and Cornerstone Credit Union League members).

Staffing:

- One examiner resigned in the 1st quarter and KDCU will seek to fill the position later in 2024.

KDCU Credit Union Council

February 6, 2024 Meeting Summary

On February 6, 2024, the regular quarterly meeting of the Credit Union Council was conducted in conjunction with Cornerstone Credit Union League's Day at the Capitol. Administrator Julie Murray discussed the following:

- No staff changes;
- Training considerations for staff;
- Budget: the agency's request has been recommended by the Governor and presented to the House and Senate; and
- The status of HB 2561 and proposed legislative changes to the Uniform Commercial Credit Code (UCCC)

The next meeting will take place on June 20, 2024, in the KDCU Conference Room, 700 SW Jackson, Suite 803, Topeka, Kansas. Members of the public may attend Council meetings in person or via conference call (1-888-585-9008; Conference Room No. 814-015-855).

Ask the Administrator

"Will my credit union be receiving a fair lending examination?"

No, not as a routine course of business. A fair lending examination is comprehensive and time consuming. I don't believe there is any need to build a fair lending review program based on asset size or product portfolio. Instead, if the agency identifies specific concerns either during an examination or offsite review, we will choose specific review items to explore those concerns.

There are built-in reviews in a standard examination which do cover fair lending topics. During our review, we look at the following credit union processes:

- Is risk-based pricing applied consistently
- Is there discretion in pricing
- Is GAP insurance required and policies around incentives
- TILA review

I hope this information is helpful. Please feel free to reach out at any time with questions! Julie

Department Staff

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|--------------------|----------------------------------|
| Julie Murray, CPM | Administrator |
| Gail E. Bright, JD | Financial Examiner Administrator |
| Shelli Ribelin | Administrative Officer |
| Evelyn Howard | Administrative Specialist |
| Cal Tutak | Financial Examiner |
| Nikki Bird | Financial Examiner |
| Amanda Wilson | Financial Examiner |
| Debbie Johnson | Financial Examiner |
| Jacob Bowman | Financial Examiner |

