

INTERIM JOINT COMMITTEE ON BANKING AND INSURANCE

Minutes of the 1st Meeting of the 2026 Interim

September 1, 2026

Call to Order and Roll Call

The first meeting of the Interim Joint Committee on Banking and Insurance was held on September 1, 2026, at 9:30 AM ET/8:30 AM CT in Room 149 of the Capitol Annex. Representative Michael Meredith, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Michael Meredith, Co-Chair; Senator Jared Carpenter, Co-Chair; Senators Julie Raque Adams, Cassie Chambers Armstrong, Gary Clemons, Donald Douglas, Greg Elkins, Rick Girdler, Jason Howell, Steve Rawlings, Brandon Smith, and Brandon J. Storm; and Representatives Chad Aull, Jared Bauman, Josh Bray, Adrielle Camuel, Mike Clines, Jim Gooch Jr., Deanna Gordon, Daniel Grossberg, Tony Hampton, Erika Hancock, Samara Heavrin, Derek Lewis, Matt Lockett, Michael Sarge Pollock, Steven Rudy, and Tom Smith.

Guests: Marni Gibson, Commissioner, Department of Financial Institutions (DFI); Jim Kasch, President & CEO, Kentucky's Credit Unions; Kyle Hagerty, SVP & Chief Advocacy Officer, Kentucky's Credit Unions; Jimmilyn Hancock, President & CEO, Signet Federal Credit Union; Timothy A. Schenk, President & CEO, Kentucky Bankers Association (KBA); Alex D. Croft, General Counsel, KBA; Jim DeCesare, Executive Director, Bluegrass Community Bankers Association (BCBA); and Alex Downing, Board President, BCBA, and President, Franklin Bank & Trust.

LRC Staff: Jessica Sharpe, Jessica Merian, and Sasche Allen.

Department of Financial Institutions Update

Marni Gibson, Commissioner, DFI, provided updates on the department's depository, securities, and non-depository divisions.

In the depository division, the total number of state-chartered banks has remained unchanged, reflecting the loss of one state-chartered bank and the addition of a de novo charter. The new bank opened in summer 2026 and is the first de novo state-chartered bank to open in the state since 2009. The number of state-chartered banks

with assets under \$100 million continues to decline, while total assets continue to increase. The number of credit unions has also decreased, along with total assets and total loans.

In the securities division, the number of broker-dealer registrations has decreased and the number of broker-dealer and issuer agents has steadily increased in recent years.

In the non-depository division, licenses for loan originators and money transmitters have increased, while licenses for deferred deposit and limited check cashers continued to decrease due to a moratorium. Examinations for mortgage companies and consumer loan companies have increased. Additionally, there has been an increased number of mortgage consumer complaints.

Commissioner Gibson briefly discussed the department's focus on preventing scamming and the progress of formulating regulations for virtual currency kiosks.

In response to Senator Douglas, Commissioner Gibson stated there are numerous reasons for the decrease of state-chartered credit unions.

Industry Updates

Kentucky's Credit Unions

Jim Kasch, President & CEO, Kentucky's Credit Unions, reported the state has 50 credit unions serving approximately 1 million members. Credit Unions provided members with an estimated \$299 million in direct and indirect financial benefits in 2025. Mr. Kasch also highlighted the role credit unions play within their communities through volunteering and creating financial education opportunities.

Jimmilyn Hancock, President & CEO of Signet Federal Credit Union, provided an overview of the credit union's history and discussed how its structure enables it to offer competitive rates and a range of member benefits, including financial literacy education, counseling programs, scholarships, and fraud prevention seminars. In 2025, credit union members received more than \$6 million in regular savings dividends.

Kyle Hagerty, SVP & Chief Advocacy Officer, Kentucky's Credit Unions, expressed the organization's continued support of the legislative intent of 2026 RS SB 87, which ensures financial freedom and options are also available to municipalities and public entities. He also discussed the misconception of credit unions having an unfair advantage compared to their competitors as a result of their not-for-profit cooperative structure. According to Mr. Hagerty, credit unions face unique limitations that may put

them at a disadvantage, including field of membership, limited ability to raise capital, a higher net worth requirement, small business lending caps, loan maturity limits, and a federal cap on loan interest rates.

Senator Clemons commended credit unions on their personable nature.

In response to Representative Smith, Mr. Hagerty stated credit unions acquiring banks are rare occurrences and a heavily regulated process. Mr. Kasch stated when a credit union purchases a bank, it also acquires its assets and begins operating as a credit union. Mr. Kasch further said that despite some limitations, credit unions have expanded housing and mortgage lending.

Kentucky Bankers Association

Timothy A. Schenk, President & CEO, KBA, discussed the KBA's proposals to provide solutions to the statewide housing crisis, renew the New Markets Development Program tax credit, address the taxation of data brokering services, and continue modernization of probate and trust law. Housing solutions discussed included utilizing public-private partnerships, encouraging banks to lower or eliminate interest rates, and leveraging the Community Reinvestment Act to support affordable housing development and tax incentives. The KBA supports renewing and expanding the New Markets Development Program tax credit provisions previously proposed in 2024 RS HB 485 and 2025 RS HB 372, which provided incentives for investment in low-income communities. Regarding the data brokering tax enacted through 2026 RS HB 757, the KBA recommended creating a statutory exclusion for certain services to address unintended tax consequences.

Alex D. Croft, General Counsel, KBA, discussed unintended consequences of changes to probate and trust law enacted through 2026 RS SB 50. Probate related concerns included changes to the surviving spouse's share of certain non-probate assets; the absence of a deadline for a surviving spouse to assert a claim; the inclusion of general powers of appointment in the spousal share; the elimination of informal periodic settlements; and issues related to dispensing with estate administration. The KBA plans to recommend language to the General Assembly to address these concerns.

In response to Representative Rudy, Mr. Schenk discussed the obstacle created by restrictive local regulations when battling the statewide housing shortage.

Senator Rawlings expressed appreciation for the KBA's work on 2026 RS SB 50.

Bluegrass Community Bankers Association

Jim DeCesare, Executive Director, BCBA, and Alex Downing, Board President, BCBA, discussed the community banking industry's impact across the Commonwealth. Community banks are represented in all 120 counties, are the only physical banking presence in 40% of all counties, and paid \$263 million in federal and state income taxes in 2025. BCBA is working alongside the state's federal delegation and national partners to protect depositors from emerging threats, including combating check and wire fraud and opposing risky cryptocurrency yield products.

Mr. DeCesare made comments regarding the original purpose of credit unions, saying the enforcement of the intended common bond membership has collapsed. Although the BCBA supports credit unions, it holds the stance credit unions should not be allowed to accept government deposits.

In response to Representative Smith, Mr. DeCesare discussed the CLARITY Act, proposed federal legislation that would establish a more defined regulatory framework for cryptocurrency and other digital assets. Chairman Meredith elaborated on the potential implications of the legislation, particularly provisions concerning the treatment of yield earned on digital assets.

In response to Senator Elkins, Mr. DeCesare explained the acquisitions of banks by credit unions are generally driven by business considerations and are not hostile in nature.

Adjournment

There being no further business before the committee, the meeting adjourned at 10:56 AM.