

**REGULAR STATE CREDIT UNION BOARD MEETING
HELD BY CONFERENCE CALL
OFFICE OF THE COMMISSIONER
DEPARTMENT OF FINANCIAL INSTITUTIONS
2000 SCHAFFER STREET, SUITE G
BISMARCK, NORTH DAKOTA**

December 6, 2002

The regular meeting of the State Credit Union Board was called to order by Chairman Karsky in the Office of the Commissioner, Department of Financial Institutions, 2000 Schafer Street, Suite G, Bismarck, North Dakota, at 9:34 a.m., Friday, December 6, 2002, by conference call arrangement.

MEMBERS PRESENT: Timothy J. Karsky, Chairman (*Office*)
Charles W. Gates, Member (*Grand Forks*)
Judy A. Millar, Member (*West Fargo*)
Ervin E. Mund, Member (*Office*)
Steven S. Tonneson, Member (*Minot*)

MEMBERS ABSENT: None

ALSO PRESENT: Robert J. Entringer, Secretary (*Office*)
Jim Laidlaw, Chief Examiner – Credit Unions (*Office*)
Rodger Denny, Town and Country Credit Union (*Minot*)
Joyce Polum, City and County Employees CU (*Fargo*)

MINUTES PREVIOUSLY APPROVED BY MAIL

The minutes for the regular meeting of September 27, 2002, and the special meeting held October 9, 2002, had been previously mailed to the Board, and approved.

TOWN AND COUNTRY CREDIT UNION, MINOT – APPLICATION TO ESTABLISH A BRANCH IN WEST FARGO

Chairman Karsky asked if all the Board members had received a copy of the letter from Joyce Polum, City and County Employees Credit Union, Fargo. All Board members except Member Gates had received a copy.

Chairman Karsky reviewed his Memorandum for the Board which stated the Department received an application by Town and Country Credit Union, Minot, on October 8, 2002, to establish a branch at 925 East 14th Avenue, West Fargo. The North Dakota Administrative Code Chapter 13-03-15, Branching, addresses the requirements the credit union must follow when applying to establish a branch, and also outlines the criteria the State Credit Union Board should consider when either approving or denying a branch application. North Dakota Administrative Code Section 13-03-15-03 states that branches of open charter credit unions must be located within the geographical boundaries which are authorized by the charter. The establishment of such branch facility may not, of itself, expand the geographical boundaries of the credit union's field of membership. The application outlines the credit union's current field of membership and the proposed branch is within the current field of membership and would not be considered an expansion of the credit union's existing field of membership.

North Dakota Administrative Code Section 13-03-15-04 outlines the criteria the credit union must follow when establishing a branch. Section 13-03-15-04(a) states that approval to establish a branch must be given by the Board of Directors of the credit union. As you will note in the application, the Board of Directors approved the branch application on September 9, 2002. Section 13-03-15-04(b) further states that after the Board of Directors approve the application, they must submit an application to establish a branch to the Department of Financial Institutions. The application was received by the Department on October 8, 2002.

North Dakota Administrative Code Section 13-03-15-04(c) states that the credit union shall at least 30 days prior to the date of consideration by the State Credit Union Board cause to be published a notice in the official newspaper of the county or counties affected by the proposed branch expansion. Notice must specify the field of membership and if an open charter, the geographical boundaries, and also indicate the time and place that the State Credit Union Board will act upon the application. The Department sent notice of the application to be published in *The Forum* on November 4, 2002. Proper notice has been affected and the 30 day

notice will expire prior to the decision by the State Credit Union Board on December 6, 2002.

Chairman Karsky noted the Department had received one comment letter, which would be discussed after reviewing the Memorandum.

The North Dakota Administrative Code sets forth the requirements the State Credit Union Board will consider for the branch application. If the branch is for an open charter and the application to establish a branch is accompanied by an application to expand the field of membership, the field must be clearly spelled out; however, there is no request at this time for the credit union to expand its current field of membership.

Section 13-03-15-04(2)(b) states that the credit union must address the negative impact to any other state or federally chartered credit union in North Dakota. The application indicates credit union management believes the impact to any other credit union would be minimal. Section 13-03-15-04(2)(c) states that the credit union should consider the express need in the branching area. President Denny indicates in an additional letter to the Department that the credit union is not aware of any credit union providing service in the area, and believes there is a need to better serve the residents of West Fargo. President Denny stated they do not believe there would be any negative impact to any state or federally chartered credit union. Other criteria the North Dakota Administrative Code requires the State Credit Union Board to consider include any expressed opposition to the branch by any other credit union in North Dakota. At the time of the Memorandum, no credit union had opposed the branch application. The State Credit Union Board should also consider if the branch is for an open charter, and whether the area being considered is satisfactorily served by a current operating credit union. President Denny has indicated in the application that this area is not being served by another credit union at this time.

The State Credit Union Board must consider whether or not the credit union has the ability to succeed with the branch; the projections contained in the application indicate that the credit union will be able to succeed and the projections appear to be reasonable.

Chairman Karsky noted that Chief Examiner Laidlaw had looked at the projections and concurred they did appear to be reasonable.

Chairman Karsky proceeded to review the letter received from Joyce Polum, Manager of City and County Employees Credit Union, Fargo. Manager Polum's concern is that City and County Employees Credit Union's membership is made up of the city and county employees of West Fargo and because they are located in downtown Fargo, it is more difficult for those members to actually get to the credit union's office. Ms. Polum's letter indicates she would like an agreement that Town and Country Credit Union will not pursue City and County Employees Credit Union members. Manager Polum further stated they have not had a problem in the past; however, this is a different situation since the proposed branch of Town and Country Credit Union will be more convenient for West Fargo members of City and County Employees Credit Union.

Chairman Karsky asked if the only office City and County Employees Credit Union has is located in downtown Fargo, and Manager Polum confirmed it was. Chairman Karsky also asked if the field of membership for City and County Employees Credit Union also includes West Fargo, and Manager Polum stated it did. Manager Polum indicated she spoke with President Denny the previous night and she would like to read a section of the credit union's bylaws which state certain governmental employees are not eligible for membership in the credit union, including the Fargo Postal Credit Union, the Fargo Public Schools Credit Union, or the Air National Guard Credit Union. Manager Polum indicated President Denny asked her if that was contained in City and County Employees Credit Union's bylaws. Manager Polum indicated what she was asking President Denny for was a commitment that Town and Country Credit Union would not pursue the city and county employees actively for membership in their credit union.

Chairman Karsky asked President Denny to respond to Manager Polum, and then review the reasoning for expanding into West Fargo. President Denny indicated they have had a mutually beneficial relationship with the credit unions in Fargo. He also pointed out that Town and Country Credit Union has been in the Fargo market for seven years and during that time has attempted to solicit and encourage membership throughout the community, which he does not see changing. President Denny indicated as a community charter it is their job to do those things that would beneficially affect the people living there. President Denny indicated he did appreciate the fact that Manager Polum called and stated she is concerned about how this West Fargo branch would directly affect her credit union. President Denny indicated what Manager Polum is asking for is a gentlemen's agreement not to pursue her membership in West Fargo. He indicated Town and Country Credit Union currently competes in the Minot market with a credit union that is similar to

City and County Employees Credit Union and they get along very well with that credit union. President Denny indicated on Broadway in Minot the credit union competes with several other credit unions. He stated while he appreciates the concerns of Manager Polum, he is not at liberty to single out people he will not solicit for membership. President Denny stated he feels Manager Polum has a definite advantage as she has a select employee group to service and knows the names of the members to take care of their savings and loan account rates. President Denny indicated it is certainly not his intent to cause City and County Employees Credit Union to go out of business; however, since Town and Country Credit Union has a community charter it is his intent to offer membership to anyone within that field of membership.

Member Gates asked how the credit union membership in Fargo and West Fargo compares with the bank membership in those same areas. He stated the State Credit Union Board recently approved a branch in Grand Forks and discovered credit union participation in Grand Forks was very low compared to bank participation. Therefore, he is wondering if there is a lot of opportunity for credit unions in the West Fargo market.

Manager Polum stated there is not another credit union in West Fargo, other than City and County Employees Credit Union servicing their members from the West Fargo area. Manager Polum further stated having a branch office in West Fargo is going to be ideal for President Denny.

Member Millar indicated her employer previously had an “employee credit union”, but that credit union closed in 1990. She stated currently there is no other credit union in West Fargo; therefore, she was happy to see this application.

Member Tonneson indicated his credit union competes in the Minot market with Town and Country Credit Union, and he feels they both wish the best for each other. He stated his experience with President Denny is that he does not actively seek to steal members from other credit unions. Member Tonneson stated Minot is unique with the number of credit unions it has, and he feels there may be many members who choose to obtain membership in several credit unions in the Minot community.

Member Mund asked what the total population of West Fargo is, and Member Millar indicated approximately 16,000, and growing rapidly. Member Mund asked what is the potential number of members for City and County

Employees Credit Union, and Manager Polum indicated they currently service approximately 300 to 500 members. Member Mund asked if that was the total number the credit union services or the total number of employees. Manager Polum indicated it is the total number of people City and County Employees Credit Union does service. Member Mund commented there would still be a great deal of potential members for Town and Country Credit Union. Manager Polum agreed and stated she is happy Town and Country Credit Union is applying for a branch office in West Fargo; however, added she does not want an employee from Town and Country Credit Union to solicit the members of City and County Employees Credit Union. Manager Polum indicated she would like to have the same relationship she has with other credit unions that have government employees in their field of membership. Manager Polum indicated she is not asking for a written agreement; however, would like a verbal agreement that President Denny would not directly solicit members of City and County Employees Credit Union.

Chairman Karsky indicated from the Board's prospective Town and Country Credit Union has an application to establish a branch, it is an open charter field of membership, and the Board has specific criteria to determine approval or disapproval of an application. He stated the Board does not have the authority to enforce a "gentlemen's agreement". Chairman Karsky stated President Denny can certainly advertise for members in the West Fargo market if the application is approved, and does not see anyone going into a select employee group's location and trying to solicit those members.

President Denny indicated it is his credit union's intention to offer membership to anyone in the community it serves, which may include members of a select employee group if they so choose to become members of his credit union. President Denny indicated city and county employees who are not currently members of City and County Employees Credit Union may join Town and Country Credit Union, and the problem then is how to selectively pick and choose who he does or does not offer membership to.

Chairman Karsky asked about the estimated number of 3,500 potential members included in the application. President Denny indicated that figure should be closer to 16,000.

Chairman Karsky asked who will manage the branch in West Fargo, and President Denny indicated a new manager was just hired who has a great deal of experience.

In answer to the Board's question as to Town and Country Credit Union's plans, President Denny stated their current branch is located by Playmakers, but land has been purchased on 32nd Avenue so the State Credit Union Board will receive another branch application in the near future. President Denny indicated the credit union also intends to purchase another piece of property on 45th Street for expansion in 7-10 years. President Denny stated it is the intent to have four locations conveniently located throughout Fargo/West Fargo.

Member Tonneson asked about time frames for opening the West Fargo branch and who would manage these new locations. President Denny indicated they hope to have the West Fargo branch open within six months, at which point the 32nd Avenue application would be submitted. He continued that the manager for the Fargo office would oversee all of the satellite offices.

Chairman Karsky again reviewed the criteria for the Board to consider. He indicated it is his opinion since there is no other credit union operating in West Fargo, it is not being satisfactorily served by a current credit union, and they would certainly have the ability to succeed based on that fact, as well as their projections. Chairman Karsky stated he feels it would be a very good opportunity for the people in West Fargo if this branch was established.

Chairman Karsky stated he did not believe this branch would seriously impact the City and County Employees Credit Union, as he feels if they continue to provide quality service to their members, they will keep those members.

Chairman Karsky indicated his Memorandum notes that the Department is recommending approval of this application, and even though a letter of opposition was later received from Manager Polum, he believes the Department would still recommend approval.

It was moved by Member Millar, seconded by Member Gates, and unanimously carried to approve the application by Town and Country Credit Union, Minot, to establish a branch at 925 East 14th Avenue, West Fargo.

Manager Polum and President Denny left the conference call at 10:00 a.m.

CONFIDENTIALITY OF CREDIT UNION RECORDS

Assistant Commissioner Entringer noted that the Board had a copy of the listing of active credit union records and whether those records were considered confidential or public. This listing was last reviewed and approved by the State Credit Union Board on September 10, 1993; therefore, it is brought before the Board for update.

Assistant Commissioner Entringer reviewed the list of credit union records with the Board.

- State Credit Union Exams – Confidential (*No change*)
- North Dakota Central Credit Union Exam – Confidential (*Name change to Midwest Corporate Federal Credit Union and is now federally chartered. The Department still receives a copy of the examination, and it would be considered confidential.*)

Chief Examiner Laidlaw noted the Department also receives a copy of US Central Corporate examination, which would also be considered confidential. (*To be added*)

- Examiner Work Papers – Confidential (*No change*)
- NCUA Reports of Examination or Insurance Reviews – Confidential (*No change*)
- Corporate File – public (*No change*)
- Correspondence – Public (general correspondence)
Confidential (letters of a confidential nature, exams, etc.)
Confidential (all letters, memos, etc., from NCUA)
(*No change*)
- Applications – Public (Per Code - expand field of membership, branch, etc., unless basis for confidentiality per NDCC § 6-01-07.1) (*No change*)
- Federal Credit Union Report of Condition and Income – Confidential.
(*Change to Public*)

- State-chartered Credit Union Reports of Condition and Income – Public (all pages which are considered public by NCUA) *(Remove all pages which are considered public by NCUA) (Also combine with Federal Credit Union Report of Condition and Income)*
- Informal and Formal Enforcement Actions – Public (unless designated confidential as the result of examination information) *(No change)*

Member Mund inquired if a credit union is asked by the Federal Home Loan Bank for a copy of its last state or NCUA examination, why it could not be provided to them. Chairman Karsky indicated with regard to banks the Department has entered into a sharing agreement with the Federal Home Loan Bank where the examinations are requested from the Department and provided by this office to them.

Member Mund moved that the Department enter into a sharing agreement with the Federal Home Loan Bank for credit unions so that when credit unions make application to join the Federal Home Loan Bank they will cooperate as far as the examination. The motion was seconded by Member Millar and unanimously carried.

It was moved by Member Mund, seconded by Member Millar, and unanimously carried to approve the Confidentiality of Credit Union Records as amended.

MEETING DATES FOR 2003

The 2003 meeting dates were set for March 14, June 6, September 5, and December 5, 2003.

LEGISLATION

Chairman Karsky stated the Department does not intend to introduce any bills from the credit union division, but does need to amend Section 6-06-21, North Dakota Century Code, which deals with how equity is counted and regular reserves.

Chairman Karsky advised the Board one bill the Department will be interested in is a bill to consolidate this Department with the Insurance Department and Securities Commissioner. Chairman Karsky indicated he knows the bank associations are intending to oppose the bill; however, he has asked to see a copy of the bill before deciding what approach to take. He stated there are some concerns in regards to combining these agencies dealing with special/general fund agencies, the Boards and Commissions that are involved, etc.

The Board went into closed session at 10:25 a.m.

Timothy J. Karsky, Chairman

Robert J. Entringer, Secretary