

**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 7, 2007

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 9:35 a.m., Friday, December 7, 2007.

MEMBERS PRESENT: Timothy J. Karsky, Chairman (*Office*)
Paul Brucker, Member (*Office*)
Melanie Stillwell, Member (*Williston*)
Steven Tonneson, Member (*Minot*)
Darlene Watne, Member (*Minot*)

MEMBERS ABSENT: None

ALSO PRESENT: Robert J. Entringer, Secretary (*Office*)
Jim Laidlaw, Chief Examiner – Credit Unions (*Office*)
Corey Krebs, Financial Institutions Examiner (*Office*)
Todd Van Orman, Financial Institutions Examiner (*Office*)
Aaron Webb, Assistant Attorney General (*Office*)
Vance Reinbold, Capital Credit Union (*Office*)
Steve Davis, Capital Credit Union (*Office*)
Greg Tschider, ND Credit Union League (*Office*)
Michelle Peterson, Town and Country CU (*Minot*)
Jay Landsiedel, Town and Country CU (*Minot*)
Spencer Hoover, Town and Country CU (*Minot*)
Mark Larson, Town and Country CU (*Minot*)
Dana Peterson, Ryder Co-op CU (*Minot*)
DelRaye Johansen, Ryder Co-op CU (*Minot*)
Christopher Barrett, Western Cooperative CU (*Williston*)

MINUTES PREVIOUSLY APPROVED BY MAIL

Chairman Karsky indicated the Board had previously received and approved the minutes of the regular meeting held on September 7, 2007.

MERGER APPLICATION BY TOWN AND COUNTRY CREDIT UNION, MINOT, TO MERGE RYDER CO-OP CREDIT UNION, RYDER, INTO TOWN AND COUNTRY CREDIT UNION, MINOT

Chairman Karsky indicated his November 29, 2007, Memorandum notes that the merger application was received on July 30, 2007, and the branch application was received on August 22, 2007. The Memorandum also indicates that according to North Dakota Administrative Code Section 13-03-05-01 which requires a state-chartered credit union planning to merge to follow and comply with the procedures in that Section of the North Dakota Administrative Code. Chairman Karsky noted that the Board of Directors of Town and Country Credit Union approved a Resolution on June 13, 2007, approving the merger, and the Board of Directors of Ryder Co-op Credit Union approved a Resolution on July 24, 2007, approving the merger. The respective Resolutions were presented to the memberships of the credit unions; Town and Country Credit Union's membership unanimously approved the motion for merger on June 13, 2007, with 35 members present and Ryder Co-op Credit Union's membership approved the motion for merger on July 24, 2007, by a vote of 33 for the merger and 8 opposed.

Chairman Karsky noted this application was submitted to the State Credit Union Board on July 30, 2007, and notice of the application was published in the county newspapers of McHenry, McLean, Mercer, Mountrail, Renville, and Ward.

Chairman Karsky indicated his Memorandum reviews the considerations for approval found in North Dakota Administrative Code Section 13-03-05-04 which includes: whether proper notification has been given to all members; the comments of the members of each of the credit unions to be merged must be considered; if there was more than one potential merger partner, consideration may be given to the credit union with a more similar field of membership; and the financial condition of the continuing credit union.

Chairman Karsky pointed out the projections can be found within the application to establish a branch, and those projections show that Town and

Country Credit Union will not be injured by the proposed merger or the establishment of a branch.

Chairman Karsky asked if a representative from Town and Country Credit Union would like to discuss the process the credit unions went through and why this merger is a good proposal for both credit unions.

Mark Larson spoke on behalf of Town and Country Credit Union, and indicated that DelRaye Johansen had contacted Town and Country Credit Union about the possibility of a merger. Mr. Larson indicated that Ryder Co-op Credit Union is a very small credit union located in a vital agricultural part of Ward County; adding that Ryder Co-op Credit Union does not offer share draft or check cashing services, as well as other services which a larger credit union would offer. After receiving the request, Town and Country Credit Union visited with its Board and felt it would be a very good service to that portion of Ward County to be able to service the residents of Ryder as well as the surrounding area which could then have these services at a close proximity to the residents.

Mr. Larson added that Town and Country Credit Union is an ag lender and Ryder is an agricultural community; therefore, both credit unions felt it would be a good fit.

Dana Peterson from Ryder Co-op Credit Union pointed out that Ryder Co-op Credit Union cannot give large enough loans in its agricultural community without having to talk to some other business to get a loan secured, and that Ryder Co-op Credit Union cannot do real estate loans; therefore, they felt they were missing out in a lot of areas.

Chairman Karsky asked Chief Examiner Laidlaw if he had any questions or comments, and Chief Examiner Laidlaw pointed out that there had been an indication early on that there would be a distribution of the equity down to 7% from the current 17 or 19% ratio. Chief Examiner Laidlaw asked if that had been finalized, as to whether there was going to be an equity payback to the members. Ms. Johansen indicated the Board had met and decided to pay back some of the undivided earnings to shares, some to CDs, and some to loans, as an interest rebate.

Member Brucker asked what process was used to determine the equity payback was done in a fair manner, as well as what dates were used for determining the payback period. Ms. Johansen indicated the balances will be as of

December 2006, before the merger was discussed, and the dividends would be paid out in December 2007.

Chairman Karsky asked if there was some money being reserved for member saving insurance, and Ms. Johansen indicated \$15,000 is reserved for Town and Country Credit Union to pay the member savings for three years, as well as updating some security issues in the Ryder Co-op Credit Union.

Chief Examiner Laidlaw asked Ms. Johansen if the payout for shares, CDs, and loans was as she had discussed with him previously and whether they would maintain the 7% net worth, and Ms. Johansen indicated that was correct.

Chief Examiner Laidlaw indicated he had no further questions or concerns.

Assistant Commissioner Entringer asked how soon after the payout of equity will the merger take place, and Mr. Tschider responded the payout will actually occur after the merger, and the applicants are hoping to get the merger done as quickly as possible.

Member Tonneson asked what constituted a quorum for the membership meeting of Town and Country Credit Union, noting that there were 35 members present, and Michelle Peterson indicated that 15 members constitutes a quorum.

Chairman Karsky indicated a proposed Order had been drafted for the merger, and Assistant Commissioner Entringer reviewed the conditions of the proposed Order for the representatives of Town and Country Credit Union.

Ms. Peterson indicated Town and Country Credit Union has been following the checklist of the National Credit Union Administration, and have most of the documents already prepared.

It was moved by Member Watne and seconded by Member Stillwell to approve the application by Town and Country Credit Union, Minot, to merge Ryder Co-op Credit Union, Ryder, with and into Town and Country Credit Union, Minot, and to authorize Chairman Karsky to sign the Order on behalf of the State Credit Union Board. The motion was unanimously carried.

APPLICATION OF TOWN AND COUNTRY CREDIT UNION, MINOT, TO ESTABLISH A BRANCH AT 221 NORTH MAIN STREET, RYDER

Chairman Karsky reviewed the portion of his Memorandum detailing the branching requirements, noting that the proposed branch is the former site of the Ryder Co-op Credit Union, which is located approximately 46 miles from the main office of Town and Country Credit Union.

Chairman Karsky indicated the branch application included financial projections showing profitability in years one, two, and three, and that the projections had been reviewed by Chief Examiner Laidlaw, who felt they are reasonable.

Chairman Karsky indicated his Memorandum reviewed the requirements of Chapter 13-03-15 of the North Dakota Administrative Code, noting that the Board of Directors of Town and Country Credit Union approved the application for a branch on June 18, 2007, and the Department received the branch application on August 27, 2007. Proper notice was given as indicated in the merger application, which included the time and place of this meeting of the State Credit Union Board.

Chairman Karsky indicated one criterion the State Credit Union Board must consider when reviewing a branch application is whether there is an application to expand the field of membership included with an open charter credit union's application. Chairman Karsky stated an application to expand the field of membership had been submitted, but was withdrawn.

Chairman Karsky indicated another criterion the State Credit Union Board must consider is the negative impact to any other state or federally credit union in North Dakota. Chairman Karsky stated no negative impact is anticipated since Ryder Co-op Credit Union was a previously operating credit union.

Chairman Karsky indicated another criterion the State Credit Union Board must consider is the expressed need, and Chairman Karsky stated the need is present to offer more services to the current members.

Chairman Karsky stated no comments in opposition to the application were received, and since the application involves a merger which is currently serving the needs of the community by approving both the merger and branch applications, the Ryder Co-op Credit Union members will receive additional credit union services.

Chairman Karsky indicated the final criterion is that Town and Country Credit Union must demonstrate the ability to succeed with the branch. Chairman Karsky stated the numbers appear to be reasonable and show a profit during the first year of operation, although it is minimal.

Chairman Karsky noted it is the Department's recommendation the State Credit Union Board approve the branch application.

It was moved by Member Tonneson and seconded by Member Watne to approve the application by Town and Country Credit Union, Minot, to establish a branch at 221 North Main Street, Ryder, and that Chairman Karsky be authorized to sign the Order on behalf of the Board. The motion was unanimously carried.

REQUEST FOR WAIVER OF CERTAIN NCUA MEMBER BUSINESS LOAN RULES AND REGULATIONS BY TOWN AND COUNTRY CREDIT UNION, MINOT

The request from Town and Country Credit Union indicates that the petition is to permit the credit union to grant aggregate of all unsecured member business loans in excess of the 10% of net worth. Town and Country Credit Union requests the State Credit Union Board grant it the authority to grant unsecured member business loans up to 15% of Town and Country Credit Union's net worth.

Chairman Karsky asked where the credit union was at currently. Ms. Peterson indicated the credit union is currently at approximately \$1.2 million of unsecured advances. She indicated the credit union has been tracking this monthly since December 2005 and the highest point they have been was \$1.4 million, adding that they include all unsecured balances not just member business loans; therefore, 10% would be \$1.8 million of their current equity. Ms. Peterson indicated the average balance of loans without a line of credit is about \$15,000, while the average balance of loans with a line of credit is \$22,000, and the average line of credit balance loan is \$34,000. Ms. Peterson indicated they probably have less than 10 members who have an unsecured limit up to \$100,000. Ms. Peterson also pointed out that the credit union has not experienced any large losses in many years.

Chairman Karsky stated he has reviewed this request and would recommend approval of this waiver request up to 15% of net worth.

Member Tonneson asked for clarification as to if this is for unsecured member business loans, and Ms. Peterson indicated that was correct.

Member Stillwell asked if Town and Country Credit Union still follows the individual limit for unsecured member business loans, and Ms. Peterson indicated it does, adding each borrower is looked at as to how much is secured and unsecured, and they do take into account a VISA if they have a credit card.

Chairman Karsky added this is permanent waiver, so Town and Country Credit Union will not have to request the waiver again next year, although if problems were detected during an examination, this waiver could be revoked.

It was moved by Member Brucker and seconded by Member Tonneson to grant the waiver request by Town and Country Credit Union, Minot, to grant unsecured member business loans up to 15% of the credit union's net worth. The motion was unanimously carried.

Spencer Hoover, Mark Larson, Dana Peterson, and DelRaye Johansen left the meeting at this time.

REQUEST BY WESTERN COOPERATIVE CREDIT UNION, WILLISTON, TO OBTAIN A WAIVER OF THE FIXED ASSET LIMITATION

Christopher Barrett from Western Cooperative Credit Union joined the meeting.

Assistant Commissioner Entringer asked President Stillwell to review this request with the Board. President Stillwell indicated the credit union is requesting a waiver of the fixed asset limitation of 6% to total assets for its building remodeling. President Stillwell indicated because of the growth being experienced by the credit union they are not sure they are going to need this waiver and their projections show that in 18 months they will be below the 6% of total asset limitation. President Stillwell indicated because of the uncertainty, rather than take a chance of reaching the limitation they decided to request a waiver. President Stillwell indicated the credit union's current building is 27 years old and they are still dealing with the original heating/cooling system from 1980, adding there are a lot of things that need updating and refreshing.

President Stillwell indicated projections are included with the request, including what the credit union's growth has been for the last five years, as well as what the current capital and net income ratios are, as well as what is projected. President Stillwell explained when the projections were completed, total assets were at \$138 million; however, currently the credit union is at \$142 million. President Stillwell indicated the project is not only to remodel the current space, but to add on additional space.

Assistant Commissioner Entringer asked President Stillwell what is the maximum they anticipate needing if 6% of total assets is exceeded, and President Stillwell stated she thought \$9.1 to \$9.5 million should be sufficient.

Chairman Karsky asked if \$9.25 million would meet the credit union's needs, and President Stillwell stated she thought it would.

Member Brucker asked if it wouldn't be better to use a percentage limit, for example 7%, and Chairman Karsky indicated normally we use a dollar amount maximum.

Mr. Tschider interjected that if a percentage is used and assets do in fact decrease, the limit is reduced; therefore, the dollar amount is preferable.

It was moved by Member Brucker and seconded by Member Watne to grant Western Cooperative Credit Union, Williston, a waiver of fixed assets to the greater of 6% of total assets, or \$9,250,000. The motion was approved by a vote of 4 to 0, with Member Stillwell abstaining.

REQUEST BY CAPITAL CREDIT UNION, BISMARCK, TO AMEND ITS BYLAWS

Assistant Commissioner Entringer referred the Board to his email to President Gallagher asking for an explanation of the proposed amendments.

With respect to Article II, Section 2, President Gallagher indicated the credit union is trying to find consistent language throughout the bylaws and Board approved policies relating to the definition of immediate family, and also include in that definition those within the household.

President Gallagher indicated: Article XVIII definitions were clarified; a reference to immediate family in Article VII, Section 2, was removed; Article VII, Section 1, which requires posting nominations in a conspicuous place, is being deleted because this hasn't been done and is not required by statute; Article VIII, Section 1, is clarified that the Board of Directors is a range of 5 to 9; throughout the bylaws the change from the word President to CEO is again for consistency with other policies and documentation; Article IX, Section 5, which requires posting of the quarterly financials, is being deleted since it has not been done and is not required by statute. President Gallagher pointed out the word Chairperson is being changed to Chairman, which is a housekeeping amendment.

Assistant Commissioner Entringer indicated all the above amendments are viewed as housekeeping amendments, and the Department recommends approval.

Member Brucker asked how the credit union will manage the range of 5 to 9 directors, and Mr. Tschider indicated because of the difficulty in finding members who are not only qualified but willing to serve is part of the issue, as well as the fact that one of the previous Board members was activated as a member of the National Guard to active duty which necessitated being gone for a year. Mr. Tschider concluded this change is merely to allow the Board to make the decision as to how many directors would be elected.

Member Tonneson asked about the definition of household, as whether that fit the Department's criteria. Assistant Commissioner Entringer indicated it does meet the definition the State Credit Union Board adopted several years ago.

It was moved by Member Stillwell and seconded by Member Watne to approve the Articles of Amendment to the Bylaws of Capital Credit Union, Bismarck. The motion was unanimously carried.

AMENDED ORDER ON INCIDENTAL POWERS FROM MARCH 2003 REGARDING THE SALE OF LOAN PARTICIPATIONS TO THE BANK OF NORTH DAKOTA

Assistant Commissioner Entringer indicated this Order was originally approved in March 2003; however, the citation referred to banking code as opposed to credit union code; therefore, the Amended Order corrects that citation. Assistant Commissioner Entringer asked that the Board approve this Amended

Order and authorize Chairman Karsky to sign the Amended Order on behalf of the Board.

Chairman Karsky clarified this is a housekeeping amendment.

It was moved by Member Watne and seconded by Member Tonneson to approve the Amended Order relating to Sale of Loan Participations to the Bank of North Dakota, citing the correct Section of the North Dakota Century Code. The motion was unanimously carried.

PROPOSED INCIDENTAL POWER ORDER PERMITTING STATE-CHARTERED CREDIT UNIONS TO RECEIVE STOCK IN VISA, INC.

Assistant Commissioner Entringer explained the issue at hand is that VISA, USA, is merging into VISA, Inc., and as part of the restructuring the members of VISA, USA, will be receiving stock in VISA, Inc., based on the fees that the member has generated in the past. The members of VISA, USA, will not have to pay for this stock and are going to receive the stock without any action on their part, adding there is no cash or other rewards available to the members of VISA, USA, in lieu of the stock.

Assistant Commissioner Entringer referred the Board to the November 1, 2007, letter to VISA, Inc., from the Associate General Counsel of the National Credit Union Administration. NCUA's analysis is that although federal credit unions are not permitted to purchase stock, they are not actually making an investment since they are not paying any consideration and are simply receiving it as a business decision of VISA, Inc. NCUA analysis continues that a primary aspect of the business of credit unions is to lend to its members and a federal credit union's eligibility for VISA stock is connected to the credit union's volume of lending as part of the VISA program. NCUA concluded that a federal credit union's receipt of the VISA stock is simply a by-product of a permissible lending activity and that they may receive it and retain the stock unless it is determined by an examiner that holding the stock is a safety and soundness problem for that particular federal credit union. The letter also concludes that the state-chartered credit unions need to consult with their appropriate state supervisory agency about their permissibility of receiving the stock and any restrictions that may apply.

Assistant Commissioner Entringer indicated when discussing this issue with Assistant Attorney General Webb it was viewed as an incidental power because a

state-chartered credit union cannot buy stock in VISA, Inc.; however, in this instance the credit union is not purchasing it, they are simply being given the stock as part of this restructuring.

Assistant Commissioner Entringer noted that rather than doing this on an individual credit union basis, the Department decided to draft an Incidental Power Order, using the language from the NCUA letter to VISA, Inc.

Chairman Karsky asked Assistant Attorney General Webb to discuss the issue. Assistant Attorney General Webb indicated he did review the letter and the Order and that the Order grants the Department the ability to restrict individual credit unions to hold the stock based on safety and soundness considerations.

It was moved by Member Watne and seconded by Member Brucker to approve the proposed Incidental Power Order authorizing state-chartered credit unions to receive VISA, Inc., stock. The motion was unanimously carried.

REQUEST BY MID AMERICA CREDIT UNION ASSOCIATION, BISMARCK, TO AMEND THE REGULATIONS PERMITTING STATE- CHARTERED CREDIT UNIONS TO GRANT 40 YEAR TERM MORTGAGES

Assistant Commissioner Entringer pointed out the request came before the State Credit Union Board in September 2007 and the Board directed the staff to review the regulations to see if there were any other changes that needed to be made to promote cost efficiency in publishing the proposed changes.

Chairman Karsky asked Mr. Tschider to review the reason for this request. Mr. Tschider stated the reason this request is before the Board is that the marketplace has changed for real estate mortgages, indicating that the secondary market will accept 40-year mortgages. Mr. Tschider added this is a tool available to provide to families so they are able to buy a home, adding statistics show that most people do not live in their home for 40 years, but convert within 7 to 9 years. Mr. Tschider continued this would not be judged in the same way as the current credit crunch we are experiencing, but rather is another tool to allow individuals the opportunity to buy a home.

Mr. Tschider indicated Steve Davis from Capital Credit Union, Bismarck, is present to visit with the State Credit Union Board about how this would impact the membership of Capital Credit Union.

Mr. Davis indicated what brought him here is the trends in the industry, adding the credit union is seeing a lot more extended term amortization and particularly the request for the 40-year mortgage. Mr. Davis pointed out it is available in the secondary market and that many financial institutions have this available to their customers; adding that as an active mortgage lender in the community, the credit union would like to have this tool available also. Mr. Davis stated it may not be the best solution for everyone attending this meeting; however, they have found at Capital Credit Union that there is a need, typically in the first-time home buyer market. Mr. Davis indicated you have to be very careful in pricing these loans because there is typically a 100 basis point difference between the 30 and 40-year mortgage; however, they have found that the North Dakota Housing Finance first-time home buyer program has been a great outlet for some of their members because their spread difference between a 30 and 40-year mortgage is 10 basis points. Mr. Davis indicated the impact from a monthly payment perspective is \$50 to \$75 per month; adding for that income level that may make a difference in being able to afford a hot water heater when it breaks down.

Member Tonneson inquired if this was coming through the Governmental Affairs Committee, and Mr. Davis stated it was coming through Mid America via the Governmental Affairs Committee.

Chairman Karsky pointed out that several years ago it was indicated the industry practice was the 100 to 125% home equity loans and that when that practice had been announced his comment was “just because it’s a standard industry practice does not make it prudent”. Chairman Karsky continued he is not sure why they limited credit unions to 30-year mortgages, but obviously there was a reason, and now we are being asked to go to 40, and we are seeing 50-year mortgages as Mr. Davis pointed out. Chairman Karsky stated he is not a fan of the 40-year mortgage and that he is not sure whose job it is to make the determination on what product is suitable for a particular borrower. Chairman Karsky stated that getting an individual into a home because the payment went down \$70 to \$90 must be looked at in view of how much additional interest that borrower will pay over 40 years versus 30 years. Chairman Karsky stated he has looked at the Regulation and you can just simply allow credit unions to go to 40 years or you could change the rule to grant a waiver on a case-by-case basis for a particular credit union.

Chairman Karsky stated one thing he does not want is a small credit union making 40-year mortgages and retaining those loans on their books, adding he would almost like a requirement that these loans have to be sold on the secondary market.

Member Brucker asked Mr. Davis what their strategy is as far as retaining these mortgages on the books or selling them to the secondary market. Mr. Davis stated the vast majority of 40-year mortgages would be sold off to the secondary market whether it be Housing Finance or the other participants in the secondary market. Mr. Davis added that he would prefer not to see a limitation that they have to be sold off to the secondary market, but rather leaving this up to the individual credit union as an ALM decision.

Member Tonneson stated he also is concerned with smaller credit unions that might make these loans and retain them on their books, especially given what the market value of homes in small towns in rural North Dakota might do and how that could impact the credit union. Member Tonneson continued that realistically on a 30-year mortgage it could have the same effect.

Member Brucker stated he does not feel it is the job of the State Credit Union Board to make a determination with respect to the competence of management, and that the Board needs to assume management is competent unless the examination process or CPA audit shows otherwise.

Member Tonneson agreed with Member Brucker and that if abuse is discovered, the State Credit Union Board would have to deal with that on a case-by-case basis.

Chairman Karsky added the ability to make 30-year mortgages in the credit union industry has been available for some time and we do not see a lot of credit unions holding those loans for the 30-year term.

Member Tonneson stated he feels this is a correct move to make because of the fact of escalating home prices, as well as the fact that Mr. Tschider pointed out which is that most people stay in their home an average of 7 to 9 years.

Chairman Karsky stated he is receptive to amending the rule, and asked Assistant Commissioner Entringer to clarify what the process is as far as publication and comment periods.

Assistant Commissioner Entringer indicated publication must be statewide and there has to be a 20 day timeframe between the date of the final publication and the hearing; an additional 10 day comment period after the hearing; then the State Credit Union Board can decide whether or not to approve the amendments.

Chairman Karsky asked Member Watne for her comments. Member Watne indicated having been in the real estate business for quite some time she can see both sides of this issue, adding that the first-time home buyer's loan has been a wonderful product, but that she does get concerned about the length of the term. Member Watne added her concern also deals with the age of the home being purchased, which could be a home built in 1967 and the quality of that asset could be questioned; however, added that she agrees the examination process should identify any problems with respect to these types of loans. Member Watne added with this tool more younger people would qualify for home purchases.

Chairman Karsky asked Mr. Tschider if he had any final comments, and Mr. Tschider indicated it is not our job to micro manage the consumers decision to purchase products, adding the fact is society has decided that home ownership is desirable. Mr. Tschider added the majority of these loans will be sold into the secondary market and this would give credit unions the opportunity to further help their members. Mr. Tschider continued even though the terms may not be what the State Credit Union Board would like, this is something the consumer has to decide and the credit union has to evaluate as far as its own loan portfolio and policies. Mr. Tschider stated he feels this is a good potential program and that each credit union has evaluate and judge as to whether or not they want to participate. Mr. Tschider concluded he does not believe we want to get into micro-managing because we have examiners reviewing, and since the 40-year mortgage is something that is available it is a tool that can be offered to credit union members; therefore, he respectfully requests the State Credit Union Board approve this amendment.

Member Watne asked if this would apply to commercial and agricultural real estate loans, and Mr. Tschider stated that should be taken care of with the MBL rules from NCUA. Chief Examiner Laidlaw stated the MBL rules of NCUA are not limited to 30 year mortgages.

It was moved by Member Tonneson and seconded by Member Watne to direct the Secretary of the State Credit Union Board to draft language for the Board's consideration to authorize credit unions to extend 40-year mortgages.

Chairman Karsky asked Member Stillwell if she had any comments, and she stated she does struggle with this, but added that 99% of the loans credit unions make are good loans and the majority of these should be sold into the secondary market. Member Stillwell added the State Credit Union Board needs to let credit unions operate and the credit unions need to operate right.

The motion was unanimously carried.

Chairman Karsky asked Member Brucker if there were any additional items he would like to see amended, and Member Brucker stated under the state MBL rule we require a 35% down payment or equity position in construction and development lending, whereby NCUA only requires 25%. Member Brucker indicated most credit union policies state 25% equity in order to be in compliance with NCUA rules. Member Brucker asked if this amendment could be included in the proposal, and Chairman Karsky indicated it could.

Assistant Commissioner Entringer stated he would bring proposed language for both amendments before the Board at the special meeting to be held December 27, 2007.

MEETING DATES FOR 2008

The proposed dates approved are: March 14, June 13, September 5, and December 5.

The open session concluded at 10:59 a.m., and the Board went into closed session at 11:05 a.m.

Timothy J. Karsky, Chairman

Robert J. Entringer, Secretary