

**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 12, 2013

The regular meeting of the State Credit Union Board was called to order by Chairman Entringer in the Office of the Commissioner, Department of Financial Institutions, 2000 Schafer Street, Suite G, Bismarck, North Dakota, at 8:30 a.m., Thursday, December 12, 2013, by conference call.

MEMBERS PRESENT: Robert J. Entringer, Chairman (*Washington, DC*)
Paul Brucker, Member (*Office*)
Don Clark, Member (*Fargo*)
Melanie Stillwell, Member (*Williston*)
Steve Tonneson, Member (*Minot*)

MEMBERS ABSENT: None

ALSO PRESENT: Aaron Webb, Secretary (*Office*)
Suzette Richardson, Administrative Staff Officer (*Office*)
Jan Murtha, Assistant Attorney General (*Office*)
Corey Krebs, Chief Examiner – Credit Unions (*Williston*)
Taylor Lee, Financial Institutions Examiner (*Williston*)
Sara Sauter, Financial Institutions Examiner (*Williston*)
Jon Griffin, Capital CU, Bismarck (*Office*)
Robbie Thompson (*Bismarck*)

APPROVAL OF MINUTES

Chairman Entringer indicated the Board received copies of the minutes of the regular meeting held on September 5, 2013, and the special meeting held on November 15, 2013.

It was moved by Member Brucker, seconded by Member Clark, and unanimously carried to approve the minutes of the regular meeting held September 5, 2013, and of the special meeting held November 15, 2013, as presented.

ARTICLES OF AMENDMENT TO THE BYLAWS – CAPITAL CREDIT UNION, BISMARCK

Chairman Entringer indicated Capital Credit Union, Bismarck, has submitted Articles of Amendment to the Bylaws regarding Article II through Article XXI.

Chief Examiner Krebs reviewed his Memorandum dated December 4, 2013, which explains the proposed changes to the bylaws submitted by Capital Credit Union: (1) cleaning up old language, as well as wording changes to match the model Federal Credit Union bylaws; (2) the number of directors that constitutes a quorum at an annual or special meeting is being reduced from 50 to 40 members; (3) changes in nomination procedures for members of Board of Directors; (4) setting a term of three years following termination for employees or their immediate family members from serving on the Board of Directors; (5) establishing electronic or mail ballot as the only means of voting during an election; (6) establishing an indemnification clause for board members limiting their personal liability; and (7) removing credit administration and disaster recovery specific information, as these items are addressed in separate policies and procedures.

Jon Griffin explained the proposed changes are due to the recent merger between Capital Credit Union and New Salem Credit Union. Mr. Griffin continued through the merger, Capital Credit Union assumed the New Salem Credit Union charter, as well as the bylaws which were outdated.

Chairman Entringer referred to the proposed process for obtaining signatures of members in order to have their name placed on ballots for election to the board. Chairman Entringer stated he understands the credit union prohibits petitions being placed in the credit union lobby; therefore, since membership lists are confidential, he questioned how a party could get members to sign a petition, if the Nominating Committee did not place a name on the ballot.

Mr. Griffin stated the current process provides that if any member indicates an interest in serving on the Board of Directors, President Gallagher keeps a list of those members which she presents to the Nominating Committee. Mr. Griffin explained

the qualification of obtaining signatures of at least 1% of the members could occur in segments of each specific area of membership, i.e. State Capitol members, Fargo members, and New Salem members.

Member Brucker indicated he does not oppose the proposed election process submitted by Capital Credit Union; however, questioned whether a member could feasibly obtain 250-300 signatures to have their name placed on the ballot. Mr. Griffin stated he does not believe this is unreasonable. Member Brucker asked if requiring 50-100 signatures was considered, and Mr. Griffin indicated this provision is mirrored after Capital Credit Union's previous bylaws as well as the model Federal Credit Union bylaws.

Member Stillwell indicated since the Nominating Committee is appointed by the Board of Directors, control is reflected back to the Board of Directors. Mr. Griffin acknowledged this practice was part of Capital Credit Union's pre-merger bylaws.

Chairman Entringer indicated he and Chief Examiner Krebs also recognized this; however, found this language is part of the model Federal Credit Union bylaws.

Member Tonneson indicated it could be challenging for a member to petition that many signatures and Chairman Entringer agreed.

It was noted the proposed Articles of Amendment to the Bylaws were approved by the Board of Directors of Capital Credit Union on September 23, 2013.

It was moved by Member Tonneson, seconded by Member Clark, and unanimously carried to approve the Articles of Amendment to the Bylaws as submitted by Capital Credit Union, Bismarck.

Mr. Griffin left the meeting at 8:45 a.m.

PROPOSED SHARED BRANCHING ORDER

Chairman Entringer indicated the Board should have received the Draft Order, analysis provided by Assistant Attorney General Murtha, and a letter from Robbie Thompson, President/CEO of the Credit Union Association of the Dakotas, in support of the proposed Order. Chairman Entringer added that the Board should have

received an updated Draft Order from Assistant Commissioner Webb prior to this meeting.

Chairman Entringer explained he received an inquiry from a state-chartered credit union as to whether they can utilize Co-op Financial Services as a shared branching network. Chairman Entringer indicated through research he noted CUSOs are allowed to engage in shared branching. Chairman Entringer referred to Assistant Attorney General Murtha's email which indicates shared branching is allowed for a federal credit union as a correspondent service under the incidental powers rule.

Assistant Commissioner Webb reviewed the proposed Draft Order which addresses the fact that Section 13-03-23-05(1)(m) of the North Dakota Administrative Code allows a North Dakota state-chartered credit union to invest in a CUSO that provides shared branching services, a power also granted to federally chartered credit unions. Further, the Draft Order addresses the fact that a federally chartered credit union is authorized to engage in correspondent services with other credit unions as an incidental power. Therefore, pursuant to the authority granted to the State Credit Union Board under Sections 6-06-06(11) and 6-06-06(12) of the North Dakota Century Code, the Board is proposing to permit this activity for state-chartered credit unions. Assistant Commissioner Webb pointed out the Draft Order specifies a credit union cannot expand its field of membership through shared branching.

Assistant Commissioner Webb concluded that the Draft Order basically outlines the current law, specifies that state-chartered credit unions will now be allowed to invest in CUSOs that provide shared branching services, as well as be allowed to enter into contractual relationships with other credit unions or CUSOs for the purpose of providing shared branching for their members.

President Thompson indicated credit unions have inquired whether shared branching was permissible, and he wanted to clarify to the Board that there is a credit union presently doing shared branching in North Dakota. President Thompson added shared branching is occurring throughout the country and that this approval would provide convenience for North Dakota credit union members.

Chairman Entringer indicated he would encourage the Board to approve shared branching.

In answer to Member Stillwell's clarification as to if a credit union can contract for shared branching without investing in a CUSO, Chairman Entringer indicated that is correct.

President Thompson clarified that it is permissible for a credit union to have members of other credit unions utilize services at their credit union, just as that credit union's members are able to utilize services of other credit unions. Chairman Entringer agreed, adding this can be viewed as a reciprocal relationship.

It was moved by Member Brucker, seconded by Member Stillwell, and unanimously carried to approve the Shared Branching Order, and that Chairman Entringer is authorized to sign the Order on behalf of the Board.

AMENDED ORDER – NON-MEMBER DEPOSITS & SECONDARY CAPITAL

Chairman Entringer indicated the Board previously approved an Order granting North Dakota state-chartered credit unions that have been designated as low income to accept non-member deposits.

Chairman Entringer explained an Amended Order is being proposed to allow those same low income designated credit unions to accept secondary capital from non-natural person members and non-natural nonmembers subject to approval by the National Credit Union Administration and compliance with applicable federal law.

Chairman Entringer indicated a state-chartered credit union is interested in obtaining secondary capital, and this Amended Order is being proposed since this is not addressed in present law.

Member Tonneson questioned if this allows a credit union to take a loan from a non-member, and Chairman Entringer explained he compares this to debt equity.

Member Brucker pointed out if a credit union fails, any funds loaned under this provision would be lost, and Chairman Entringer agreed as this would be an unsecured loan to a credit union.

There was discussion that the benefit of this type of loan would be a higher interest rate for that borrower.

Member Brucker and President Thompson indicated a South Dakota credit union has been very successful accepting secondary capital.

It was moved by Member Brucker, seconded by Member Clark, and unanimously carried to approve the Amended Order – Non-Member Deposits & Secondary Capital, and that Chairman Entringer is authorized to sign the Amended Order on behalf of the Board.

CREDIT UNION BUDGET UPDATE

Chairman Entringer reviewed the Organizational Status by Summary Account and Source for credit unions for the month ending October 31, 2013, as presented.

PROPOSED MEETING DATES FOR 2014

Chairman Entringer indicated the proposed meeting dates for 2014 are: March 7, June 13, September 5, and December 5.

It was moved by Member Clark, seconded by Member Stillwell, and unanimously carried to approve the following meeting dates for 2014: March 7, June 13, September 5, and December 5.

President Thompson left the meeting at 9:08 a.m.

The Board went into closed session at 9:08 a.m. to review the Supervisory Reports of Examination pursuant to North Dakota Century Code 6-01-07.1, and to discuss any confidential records pursuant to North Dakota Century Code 44-04-19.2.

Robert J. Entringer, Chairman

Aaron Webb, Secretary