

**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**

March 2, 2018

The regular meeting of the State Credit Union Board was called to order by Chair Kruse in the Office of the Commissioner, Department of Financial Institutions, 2000 Schafer Street, Suite G, Bismarck, North Dakota, at 9:00 a.m., Friday, March 2, 2018, by conference call.

MEMBERS PRESENT: Lise Kruse, Chair *(Office)*
Paul Brucker, Member *(Office)*
George Economon, Member *(Fargo)*
Deb Gallagher, Member *(Office)*
Melanie Stillwell, Member *(Williston)*

MEMBERS ABSENT: None

ALSO PRESENT: Aaron Webb, Secretary *(Office)*
Joan Becker, Director of Administration *(Office)*
Patrick Brooke, Assistant Attorney General *(Office)*
Corey Krebs, Chief Examiner – Credit Unions *(Office)*
Heidi LaBree, Financial Institutions Examiner *(Office)*
Dave Hatton, Financial Institutions Examiner *(Detroit Lakes)*
Bob Herrington, North Star Community CU *(Maddock)*
Jeff Olson, CU Association of the Dakotas *(Office)*
Jay Landsiedel, Town & Country CU *(Minot)*
Shannon Webster, Town & Country CU *(Minot)*
Fred Wolff, First Community CU *(Jamestown)*
Steve Schmitz, First Community CU *(Jamestown)*

APPROVAL OF MINUTES

Chair Kruse indicated the Board received copies of the minutes of the special meeting held on November 28, 2017 and the regular meeting held on December 1, 2017.

It was moved by Member Brucker, seconded by Member Gallagher, and unanimously carried, to approve the minutes of the special meeting held November 28, 2017, and the regular meeting held on December 1, 2017, as presented.

TOWN & COUNTRY CREDIT UNION, MINOT - APPLICATION TO ESTABLISH A BRANCH

Assistant Commissioner Webb reviewed his Memorandum dated January 22, 2018, indicating the Department received the application by Town & Country Credit Union (TCCU), Minot, to establish a branch at 3342 Sheyenne Street, West Fargo, on January 9, 2018.

Assistant Commissioner Webb indicated TCCU's current field of membership is limited to those individuals who reside within a seventy-five (75) mile radius of the home office in Minot, a fifty (50) mile radius of its branch offices in Kenmare and Fargo. Assistant Commissioner Webb stated the proposed branch would be located within TCCU's current field of membership; therefore, an expansion of its field of membership is not a part of this application.

Assistant Commissioner Webb reviewed North Dakota Administrative Code Chapter 13-03-15-04 which addresses the creation of a branch. Assistant Commissioner Webb indicated TCCU's Board of Directors approved a resolution to establish this branch on November 20, 2017.

Assistant Commissioner Webb indicated notice of the application was published by the credit union between January 15 & 24 in *The Forum*, (Cass County), *Minot Daily News* (Ward County), *Kenmare News* (Ward County), *Mountrail County Record* (Mountrail County). Assistant Commissioner Webb indicated no comments or requests were received concerning the application.

Mr. Landsiedel indicated he feels this proposed branch will not harm or significantly impact any other credit union as they already have five (5) other locations in the Fargo and West Fargo area. He added that the Credit Union has had customers in the southwest part of Fargo request to have a presence there and administration believes this branch would be a good fit.

In regard to Member Brucker's comment on how to decide where to publish, Assistant Commissioner Webb indicated there has always been some ambiguity within the rules. He indicated we have always taken the safe road and published in any area affected by the branch expansion. This consists of the main office location and location where the branch will be located.

Assistant Commissioner Webb explained the branch is projecting a small operating loss for the first two years, but concluded this should have a minimal impact on profitability overall. By year three it will have positive earnings and they have a strong net worth ratio.

Assistant Commissioner Webb stated a maximum of 6% of assets can be invested in fixed assets; adding that even with the planned expansion, TCCU's fixed assets ratio would amount to approximately 3.36%, well under the regulatory limit.

Assistant Commissioner Webb indicated the Department recommends approval of the application by TCCU to establish a branch at 3342 Sheyenne Street, West Fargo; and that Chair Kruse be authorized to sign the proposed Order on behalf of the Board.

It was moved by Member Gallagher, seconded by Member Stillwell, and unanimously carried, to approve the application by Town & Country Credit Union, Minot, to establish a branch at 3342 Sheyenne Street, West Fargo, and that Chair Kruse be authorized to sign the Order on behalf of the Board.

Mr. Landsiedel and Ms. Webster left the call.

**FIRST COMMUNITY CREDIT UNION, JAMESTOWN, TO MERGE
AGASSIZ FEDERAL CREDIT UNION, CROOKSTON, MN INTO FIRST
COMMUNITY CREDIT UNION, JAMESTOWN**

Assistant Commissioner Webb reviewed his Memorandum dated October 3, 2017, indicating the Department received the initial application on August 14, 2017, but the application was not complete until December 1, 2017.

Assistant Commissioner Webb noted that Section 6-06-36 of the North Dakota Century Code refers to the right of credit unions to merge. Assistant Commissioner Webb also reviewed the procedures of Section 13-03-05-01 of the North Dakota Administrative Code.

Assistant Commissioner Webb indicated the Board of Directors of First Community Credit Union (FCCU) approved the Resolution with Agassiz on July 17, 2017, and the Board of Agassiz approved a similar Resolution on July 25, 2017.

Assistant Commissioner Webb indicated FCCU's membership approved the merger on November 15, 2017, by a unanimous vote of the 64 members present. Agassiz held a membership meeting to approve the merger with FCCU on November 16, 2017. Agassiz members approved the merger by a vote of 173-12.

Assistant Commissioner Webb indicated the Department does not have a formal merger application for Credit Union's, but they did comply with all requirements and elements of the law.

Assistant Commissioner Webb indicated on October 31, 2017, the Department mailed notice to all credit unions close to the field of membership of Agassiz. The notice was also included in the Department's October 2017 through January 2018 Bulletins.

Mr. Schmitz indicated notices were mailed on October 27, 2017, to the Agassiz members for the meeting November 16, 2017. FCCU mailed notice on October 30, 2017 and electronic communications on October 31, 2017 and the meeting was held on November 15, 2017.

Mr. Schmitz indicated Agassiz Federal Credit Union approached them about the merger as they had been under earning pressure, and are a smaller credit union. FCCU had been doing participations with them since they merged with Portland Credit Union (Portland) back in 2011. Portland had a relationship with Agassiz to do participation ag loans, then when FCCU merged with Portland they inherited that relationship.

Mr. Schmitz indicated they sent in a team from Eide Bailly to interview employees, and review the loan portfolios and there did not look to be anything concerning. The community of Crookston is attractive with the recent merger of the former Citizens Community Credit Union in Devils Lake, and the merger would work with its existing Grand Forks and Portland branches.

Mr. Schmitz indicated that since Agassiz is a federal credit union they had to provide a mail-in vote. About 40 members present at the meeting had ballots in hand to see how the meeting progressed. There were eleven (11) no-votes prior to the

meeting and after the meeting only received one (1) additional no-vote. He thinks the members are very excited about coming on to a larger credit union that offers more services.

Mr. Schmitz indicated the financials of Agassiz are not going to hurt FCCU as they are fairly small so they will be able to be absorbed. However, he explained FCCU will have some work to do to make it a profitable part of the credit union in year two or three.

Assistant Commissioner Webb indicated per North Dakota Century Code Section 6-06-07 if a merger application is approved, the former main office and any branches of the credit union merged will become branches of the continuing credit union. FCCU has indicated its intention to continue operations in the current main office location of Agassiz, located at 218 N. Broadway, Crookston, MN and its branch located at 116 W. Broadway, Climax, MN.

Assistant Commissioner Webb reviewed the criteria per North Dakota Century Code Section 6-06-07(2) to expand field of membership. FCCU elected to take on Agassiz's field of membership. Agassiz's field of membership is partially geographic and partially common bond which is not allowed under North Dakota Statute. The credit union decided to pare it down to geographic component. North Dakota law allows for seventy-five (75) mile radius maximum. Agassiz's Minnesota geographic portion of the field of membership is three (3) Minnesota counties. When the calculations were done with the seventy-five (75) mile radius, it included most of those three (3) counties except for a small section in the top northern corner of the county on the Canadian border. As adopted, the assumed field of membership will include Polk County, Marshall County, and Kittson County to the extent it falls within the seventy-five (75) mile radius of Crookston, MN. Therefore, it follows what we allow for under North Dakota law.

Assistant Commissioner Webb indicated FCCU filed with the Board Articles of Amendment to change their bylaws to include additional field of membership within their charter.

Assistant Commissioner Webb indicated the Department received a letter from North Dakota Bankers Association (NDBA) before the December 1, 2017 meeting. NDBA noted several objections to the Agassiz and FCCU merger application. NDBA requested a copy of the application, a copy was provided with pieces of the application redacted due to confidentiality. NDBA questioned why the items were

redacted and why reason was not provided for them. The Department did a follow up letter to NDBA providing reasons for the redactions.

Assistant Commissioner Webb indicated another objection was the failure to complete another application for the expansion of the field of membership. NDBA thought the merger and expansion of the field of membership should be separate applications. The Department determined an application was unnecessary since it was an “election”. Former Assistant Attorney General Jan Murtha agreed with the Department’s interpretation that a separate application was not necessary.

Assistant Commissioner Webb indicated the last objection concerned the statutory authority of the State Credit Union Board to authorize interstate merger and facilities. NDBA argued that approval of this application would be beyond the statutory authority of the Board. On December 4, 2017, the Department drafted a letter to the Attorney General’s Office requesting legal review of a variety of issues relating to this application. A response was received from Patrick Brooke on February 7, 2018.

Assistant Attorney General Brooke indicated they did not decide to do a formal opinion as he stated the law was straight forward under North Dakota Century Code Section 6-06-36, providing ANY credit union chartered under this chapter or under Act of Congress may merge under rules and regulations established by the state credit union board. He stated the Board has the ability to approve the application including the field of membership and the operation.

It was moved by Member Brucker, seconded by Member Economon, and unanimously carried to approve the merger application, the change to the field of membership and changes to the Articles of Amendment Form and that Chair Kruse be authorized to sign the Order on behalf of the Board.

Messrs. Wolff and Schmitz left the call.

ARTICLES OF AMENDMENT TO THE BYLAWS – NORTH STAR COMMUNITY CREDIT UNION, MADDOCK

President Herrington indicated they had expanded their Board last year due to the merger with Northern Tier Federal Credit Union from five (5) members to nine (9). Currently they have three (3) members up for re-election and two (2) have decided not to run again and after a search to fill those positions have not found any

eligible candidates interested. Thereby, the Board proposes to amend the Bylaws to reduce the Board from nine (9) to seven (7) members. Additional amendments include language regarding employees and recently separated employees being on the Board.

It was moved by Member Gallagher, seconded by Member Stillwell, and unanimously carried to approve the Articles of Amendment to the Bylaws for North Star Community Credit Union, Maddock.

President Herrington left the call.

NORTH DAKOTA ADMINISTRATIVE RULES

Chair Kruse stated that in June 2017 the Board discussed updating the Credit Union Administrative Rules. The Board has received comment letters from both the Credit Union Association of the Dakotas and North Dakota Bankers Association.

Mr. Olson thanked Chief Examiner Krebs for his work on this in the last year and keeping them informed. He indicated some of the same things they want to see addressed are also being addressed at the federal level. Mr. Olson addressed recent federal legislation providing for, regulatory relief, including SB2155. He noted specific areas including the classification of 1-4 family no-owner occupied loans. He concluded that it may be a good idea to slow down the process to address changes in federal laws.

Chair Kruse indicated the overall goal to amend the administrative rules was to make it clear for the state chartered credit unions as to which rules to follow, NCUA or state, as there is some confusion about what rule applies.

Chair Kruse brought the question up if we go back to the drawing board and make a lot of changes we would have to start over again with the notice process. Assistant Commissioner Webb indicated that if you make any subsident changes you have to go back and reissue notices and publications which is a timely process.

Chair Kruse asked for the Boards thoughts on where we want to go with the process.

Member Gallagher indicated she did not feel we need to go back to the drawing board it would make sense to discuss some of the concerns and

recommendations. Particularly the non-owner occupied residential property at the federal level as this is also a concern at her office.

Chief Examiner Krebs did not feel this will have a big impact on the bill as the Board had pulled the major piece out. The original draft proposed a separate commercial loan rule and tried to parallel FDIC.

After review of the options available, the Board decided to have a working day to meet in Bismarck to discuss the Amendments of the Administrative Code.

Mr. Olson left the meeting

CREDIT UNION BUDGET UPDATE

Chair Kruse indicated the Board received the Organizational Status by Summary Account and Source for the month ending January 2018.

The Board went into closed session at 10:11 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, and returned back to open session at 10:25 a.m.

ITEMS TO BE NOTED

Chair Kruse indicated she is trying to tour the State and sit down with the credit unions to introduce herself and hear their concerns. To date, she has only had time to visit with one credit union it was very positive.

Chair Kruse also indicated that we have started using the Box file transfer system for the meeting agendas and was wondering if anyone had any comments or concerns. Everyone gave positive feedback.

Member Gallagher stated that she liked the idea of Chair Kruse going out to visit with the credit unions as it's a nice step to building those relationships with the Department of Financial Institutions.

The meeting adjourned at 10:29 a.m.

Lise Kruse, Chair

Aaron Webb, Secretary