

**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**

September 17, 2015

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 9:30 a.m., Thursday, September 17, 2015, by conference call.

MEMBERS PRESENT: Robert J. Entringer, Chairman *(Office)*
Paul Brucker, Member *(Office)*
George Economon, 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 *(Office)*
Sara Sauter, Financial Institutions Examiner *(Office)*
Heidi LaBree, Financial Institutions Examiner *(Office)*
Darrell Olson, Town and County CU *(Minot)*
Jay Landsiedel, Town and Country CU *(Minot)*

WELCOME TO MEMBER ECONOMON

Chairman Entringer welcomed George Economon to the Board, indicating he replaces Member Clark, and his term ends June 30, 2020.

APPROVAL OF MINUTES

Chairman Entringer indicated the Board received copies of the minutes of the regular meeting held on June 5, 2015.

It was moved by Member Stillwell, seconded by Member Brucker, and unanimously carried to approve the minutes of the regular meeting held June 5, 2015, as presented.

TOWN AND COUNTRY CREDIT UNION, MINOT – REQUEST FOR APPROVAL TO INCREASE INVESTMENT IN TOWN AND COUNTRY CUSO

Chairman Entringer indicated the Department received a letter dated August 21, 2015, from Town and Country Credit Union requesting permission to increase its investment in T&C CUSO, Inc. by \$1 million, which in turn will be invested in T&C Real Estate Services, LLC.

President Olson explained Town and Country Credit Union has established a separate company under its CUSO; T&C Real Estate Services, LLC. President Olson continued that in order to sell directly to HUD, it is required that T&C Real Estate Services, LLC have a minimum of \$1 million in net worth. President Olson concluded that Town and Country Credit Union is requesting permission to increase its investment in T&C CUSO, Inc. from \$1.1 million to \$2.1 million, with the additional \$1 million to be invested in T&C Real Estate Services, LLC.

Chairman Entringer added that T&C Real Estate Services, LLC, is licensed as a money broker through this Department.

In response to Member Brucker, President Olson indicated Town and Country Credit Union's equity ratio is currently 13.5%, which will not be affected following the requested investment increase.

In response to Member Tonneson, President Olson agreed the request to increase the investment in T&C CUSO, Inc., is to meet the requirement of HUD.

Chief Examiner Krebs indicated he has no concerns regarding this request. Chief Examiner Krebs pointed out that according to Section 13-03-23-06 of the North Dakota Administrative Code, Town and Country Credit Union can have 10% of its net worth

invested in a CUSO or multiple CUSOs, rather than 10% of its assets as indicated in the August 21, 2015, letter request.

It was moved by Member Tonneson, seconded by Member Brucker, and unanimously carried, to approve the request by Town and Country Credit Union, Minot, to increase its investment in T&C CUSO, Inc., to approximately \$1.8 million.

President Olson and CFO Landsiedel left the conference call at 9:40 a.m.

CREDIT UNION BUDGET UPDATE

Chairman Entringer reviewed the Organizational Status by Summary Account and Source for the month ending July 31, 2015, with the Board. Chairman Entringer pointed out the carryover was higher than projected.

NCUA OVERHEAD TRANSFER RATE (LEGAL ANALYSIS REPORT TO NASCUS AND NASCUS OTR HISTORY)

Chairman Entringer referred to the items he provided for the Board; explaining that NASCUS commissioned a study of the Overhead Transfer Rate and the conclusion is that NCUA should treat the Overhead Transfer Rate as a rule under the Administrative Practices Act under federal law.

Chairman Entringer indicated the NCUA Chairman has agreed to seek public comment regarding the 2016 Overhead Transfer Rate, and will have to act on any comments received. Chairman Entringer added it is the argument of NASCUS that the Overhead Transfer Rate is a rule according to the APA.

Chairman Entringer indicated this is huge step forward for the state system, as it could result in comparable fees between NCUA and the state.

In response to Member Brucker, Chairman Entringer explained the 71.8% OTR Rate for 2015 is the amount of NCUA expenses attributed to insurance-related activities during their examinations, for both federal or state-chartered credit union. Chairman Entringer continued that he believes NCUA is taking money needed to support the federal credit unions out of the OTR, which is paid by both federal and

state-chartered credit unions; however, only federally chartered credit unions are benefiting, which is unfair to state-chartered credit unions.

In response to Member Tonneson, Chairman Entringer indicated the amounts contained within the OTR are used to bailout problem credit unions; however, if there are not enough funds, another assessment is issued.

In response to Member Stillwell, Chairman Entringer indicated the argument of NASCUS is that the OTR should be treated as a rule; therefore, should be published for comment and there should be transparency of how NCUA calculates the OTR.

Chairman Entringer indicated NCUA has an unfair advantage compared to state departments regarding assessment fees. After further discussion it was concluded the Department would include this topic in the next Department newsletter to credit unions.

EXECUTIVE LEADERSHIP OF CYBER SECURITY

Chairman Entringer explained the Conference of State Bank Supervisors (CSBS) is offering a high level cyber-security training program in April 2016. Chairman Entringer indicated this is a full day program; however, is not designed for IT personnel, but rather for upper level management and Board members.

Chairman Entringer asked for the Board's input as to whether the Department should offer this program, as well as thoughts to conducting the program jointly for bank and credit union personnel.

After discussion it was concluded this would be a valuable program; therefore, Chairman Entringer indicated he would provide information for the Board to consider during the next regularly scheduled meeting.

The Board went into closed session at 10:00 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 to open session at 10:45 a.m.

APPROVAL OF EXECUTIVE SESSION MINUTES

It was moved by Member Brucker, seconded by Member Stillwell, and unanimously carried to approve the executive session minutes of the regular meeting held on June 5, 2015, as presented.

NEXT MEETING

In response to Member Tonneson, Chairman Entringer indicated the next regularly scheduled meeting is Friday, December 4, 2015.

The meeting adjourned at 10:47 a.m.

Robert J. Entringer, Chairman

Aaron Webb, Secretary