

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

**June 3, 2016**

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 9:34 a.m., Friday, June 3, 2016, 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*)  
Dave Hatton, Financial Institutions Examiner (*Detroit Lakes*)

**APPROVAL OF MINUTES**

Chairman Entringer indicated the Board received copies of the minutes of the regular meeting held on March 15, 2016.

**It was moved by Member Brucker, seconded by Member Economon, and unanimously carried to approve the minutes of the regular meeting held March 15, 2016, as presented.**

## **WESTERN COOPERATIVE CREDIT UNION, WILLISTON – APPLICATION TO ESTABLISH A BRANCH**

Assistant Commissioner Webb reviewed his Memorandum dated April 18, 2016, indicating the Department received the application by Western Cooperative Credit Union (“WCCU”), Williston, to establish a branch at 6714 Hwy 40 South, Tioga, on April 15, 2016.

Assistant Commissioner Webb indicated WCCU’s current field of membership is limited to those residents who live within a 75 mile radius of Williston, North Dakota; and those residents living within the trade area of Dickinson, North Dakota, and members of their immediate families; and those residents living within the trade area of Hebron, North Dakota; and those residents living within a 75 mile radius of the home office of Beach, North Dakota; and those residents living within a 50 mile radius of Glen Ullin, North Dakota; and those residents living within a 75 mile radius of the home office of Ray, North Dakota; and members of their immediate families. Assistant Commissioner Webb stated the proposed branch would be located within WCCU’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 which addresses the creation of a branch. Assistant Commissioner Webb indicated WCCU’s Board of Directors approved the branch application at its April 14, 2016, meeting.

Assistant Commissioner Webb indicated notice of the application was published between April 21-28, 2013 in the *Dunn County Herald* (Dunn County), *The McLean County Independent* (McLean County), *Williston Daily Herald* (Williams County), *Minot Daily News* (Ward County), *Renville County Farmer* (Renville County), *McKenzie County Farmer* (McKenzie County), *The Journal* (Divide County), *Mountrail County Promoter* (Mountrail County), and the *Burke County Tribune* (Burke County). Assistant Commissioner Webb indicated as of the date of this memorandum, no comments were received concerning the application; adding that NDBA did request a copy of the application.

Assistant Commissioner Webb stated that President Stillwell indicates there are no other credit unions in Tioga; therefore, there would be no harm to other credit unions.

Assistant Commissioner Webb stated that President Stillwell indicated WCCU has a strong membership in the Tioga area, and feels that there is a strong potential for agricultural and consumer borrowers/members.

Assistant Commissioner Webb explained although the branch is projecting operating losses for the foreseeable future, this should have a minimal impact on profitability overall. Assistant Commissioner Webb continued that WCCU had a net income of \$2.1 million in 2015, and the projected loss for the branch in years 1, 2, and 3 is (\$132,585), (\$106,656), and (\$69,054) respectively. Assistant Commissioner Webb indicated WCCU plans on initially leasing the branch space in order to operate at an affordable price. Assistant Commissioner Webb indicated the Department does not believe WCCU's overall ability to succeed is an area of concern.

Assistant Commissioner Webb stated a maximum of 6% of assets can be invested in fixed assets. Assistant Commissioner Webb explained WCCU estimates leasehold improvements, furniture, fixtures, and equipment will total \$225,000. Assistant Commissioner Webb continued WCCU's fixed asset ratio will increase from 3.16% to an estimated 3.23%; however, should remain within the regulatory limit.

President Stillwell explained the proposed branch will be fairly small, but very visible along the highway. President Stillwell continued that WCCU has had requests in the past to establish a branch in the Tioga area; however, it is more feasible now compared to higher costs during the high oil activity. President Stillwell indicated WCCU has a lot of members in the proposed branch area, as well as potential members if there is a physical branch in Tioga.

In response to Member Brucker, Chairman Entringer stated the Department intends to address revising the North Dakota Administrative Code regarding the publication requirements; he also questioned whether it is necessary to publish in the applicant's entire field of membership and whether the 30 day publication period was too long. President Stillwell shared the publication costs, and suggested notice only be published in the official county newspaper.

Assistant Commissioner Webb indicated the Department recommends approval of the application by Western Cooperative Credit Union, Williston, to

establish a branch at 6714 Hwy 40 South, Tioga, North Dakota; and that Chairman Entringer be authorized to sign the proposed Order on behalf of the Board.

**It was moved by Member Tonneson, seconded by Member Brucker, and carried by a vote of 5 to 0, with Member Stillwell abstaining to approve the application by Western Cooperative Credit Union, Williston, to establish a branch at 6714 Hwy 40 South, Tioga, and that Chairman Entringer be authorized to sign the Order on behalf of the Board.**

Assistant Attorney General Murtha explained under North Dakota law an abstention by a Board member will be cast as a vote for the majority.

## **TOWN AND COUNTRY CREDIT UNION, MINOT – WAIVER REQUEST**

Chairman Entringer stated the State Credit Union Board's approval for Town and Country Credit Union's waiver request to exceed the Aggregate Construction and Development Loan Limit up to 100% of the credit union's net worth expired as of today, June 3, 2016. Chairman Entringer indicated after reviewing the Department's March 2016 examination of Town and Country Credit Union, he recommends the Board again grant the waiver.

Chairman Entringer explained that on May 13, 2016, NCUA granted approval to exceed the Aggregate Construction and Development Loan Limit up to 45% of the credit union's net worth. Chairman Entringer added that NCUA's authorization will expire when the new member business rule becomes effective January 1, 2017.

**It was moved by Member Stillwell, seconded by Member Economon, and unanimously carried to approve the waiver request of Town and Country Credit Union, Minot, to exceed the Aggregate Construction and Development Loan Limit up to 100% of the credit union's net worth with no restrictions.**

## **ORDER – NORTH STAR COMMUNITY CREDIT UNION, MADDOCK – REQUEST TO INVEST IN A CUSO**

Chairman Entringer explained the proposed Order Authorizing Investment in a Credit Union Service Organization is in regard to the State Credit Union Board's approval on March 1, 2016, for North Star Community Credit Union, Maddock, to invest \$300,000 into an insurance CUSO.

**It was moved by Member Brucker, seconded by Member Stillwell, and unanimously carried to approve the Order Authorizing Investment in a Credit Union Service Organization is in regard to the State Credit Union Board's prior approval for North Star Community Credit Union, Maddock, to invest \$300,000 into an insurance CUSO, dated June 3, 2016, effective March 15, 2016; and that Chairman Entringer be authorized to sign the Order on the Board's behalf.**

## **2016 ANNUAL ASSESSMENT POLICY FOR STATE-CHARTERED CREDIT UNIONS**

Chairman Entringer indicated the Board received his May 20, 2016, Memorandum which outlines the expense descriptions for the credit union division, as well as three scenarios for assessments for the Board's consideration: (1) no credit; (2) 12.5% credit; and (3) 15% credit.

In response to Member Brucker, Chairman Entringer indicated he feels the Department has done very well in minimizing expenses which resulted in the projection showing a much higher carryover at the end of this biennium.

Chairman Entringer noted that the Governor has required all general fund agencies reduce their 2015-2017 budget by 10% from the base budget, which is the 2015-2017 budget less any one-time expenditures. Chairman Entringer stated the Governor added he expects special fund agencies to submit a budget that reflects cost savings. Chairman Entringer explained that the Department is not able to reduce many expenses; however, the salary line item may be less due to turnover, along with possible travel expense reductions due to more off-site examination procedures.

In response to Member Tonneson, Chairman Entringer noted the Department has collected \$11,900 in special visitation/examination fees this biennium.

After review of the assessment scenarios, Chairman Entringer indicated he recommends approving the State-Chartered Credit Union Annual Assessment Policy and offering a 12.5% assessment credit to the credit unions.

**It was moved by Member Brucker, seconded by Member Stillwell, and unanimously carried, to approve the State-Chartered Credit Union Annual Assessment Policy, along with granting a 12.5% assessment credit to state-chartered credit unions.**

## **MEMBER STEVE TONNESON**

Chairman Entringer announced this is Member Tonneson's last meeting as his term expires June 30, 2016.

Chairman Entringer invited the Board to offer suggestions to fill Member Tonneson's position; adding that both the State Credit Union Board and State Banking Board should be gender balanced to the extent possible. Chairman Entringer continued the law was changed in 2011 which allows Member Tonneson's position to be filled by either a federal or state credit union executive (requirement of five years of experience in an executive capacity).

Members Brucker, Stillwell, and Economon expressed their best wishes to Member Tonneson; adding it has been a privilege and honor to work with him through his tenure on the State Credit Union Board.

Member Tonneson thanked the Board for their wishes; adding he never expected to serve on the Board for 20 years, but that it has been a pleasure.

Chairman Entringer indicated the Department has a Resolution to be presented to Member Tonneson after it is signed by the Board members, which Assistant Commissioner Webb read for the record.

## **CREDIT UNION BUDGET UPDATE**

Chairman Entringer indicated the Board received the Organizational Status by Summary Account and Source for the month ending April 30, 2016.

**The Board went into closed session at 10:07 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 10:27 a.m.**

## **APPROVAL OF EXECUTIVE SESSION MINUTES**

**It was moved by Member Stillwell, seconded by Member Economon, and unanimously carried to approve the executive session minutes of the regular meeting held on March 15, 2016, as presented.**

## **MEETING WITH CREDIT UNION ASSOCIATION OF THE DAKOTAS**

Chairman Entringer indicated he, Assistant Commissioner Webb, and Chief Examiner Krebs met with the staff and members of the Credit Union Association of the Dakotas on May 10, 2016, to discuss credit unions concerns and issues; i.e. ag economy, examination cycle, and examination costs.

## **EXECUTIVE LEADERSHIP OF CYBER SECURITY**

Chairman Entringer indicated approximately 75 individuals attended the cyber-security training program offered by the Conference of State Bank Supervisors held in Bismarck on May 11, 2016. Chairman Entringer noted that approximately 1/3 registered represented credit unions. Chairman Entringer indicated he received positive comments regarding the seminar.

## **MEMBER BUSINESS LOAN RULE**

Chairman Entringer indicated that Chief Examiner Krebs sent a draft amendment to the Member Business Rule to three credit unions for review and comment.

Chief Examiner Krebs stated that NCUA's member business loan rule becomes effective January 1, 2017. Chief Examiner Krebs stated the Department's rule is outdated and out of sync with NCUA's rule; therefore, the rule must be repealed or make another attempt that the Department rule replace NCUA's rule. Chief Examiner Krebs explained his draft rule for the Board.

Chairman Entringer added once feedback is received, the draft rule will be submitted to NCUA for comment, and then presented to the State Credit Union Board at a special meeting. Chairman Entringer stated the goal is to have the rule finalized by January 1, 2017, when NCUA's rule becomes effective.

The meeting adjourned at 10:37 a.m.

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Robert J. Entringer, Chairman

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Aaron Webb, Secretary