

**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**

**June 5, 2020**

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 9:03 a.m., Friday, June 5, 2020, by conference call.

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

ALSO PRESENT: Corey Krebs, Secretary *(Office)*  
Ryan Spah, Chief Examiner *(Office)*  
Dave Hatton, Supervising Examiner *(Phone)*  
Lisa Kirschmann, Administrative Assistant *(Phone)*  
Dean DePountis, Assistant Attorney General *(Phone)*  
Jeff Olson, Credit Union Association *(Phone)*  
Stephen Schmitz, First Community Credit Union *(Phone)*  
Sean Rinkenberger, First Community Credit Union *(Phone)*

**APPROVAL OF MINUTES**

Chair Kruse indicated the Board received copies of the minutes of the regular meeting held on March 31, 2020.

**It was moved by Member Stillwell, seconded by Member Economon, and unanimously carried with a vote of 5 to 0 to approve the minutes of the regular meeting held March 31, 2020.**

**PROPOSED THIRD AMENDED ORDER: LOW INCOME DESIGNATED CREDIT UNIONS - PUBLIC UNIT, NON-MEMBER DEPOSITS, AND SECONDARY CAPITAL**

Assistant Commissioner Krebs reviewed the order. The original parity authority order was granted when Tim Karsky was Commissioner. The order granted credit unions the ability to take brokered funds and other non-member deposits as well as secondary capital. The amendments increase the limits to be consistent with changes to NCUA's regulations. This order is only applicable to credit unions with low income designation.

**It was moved by Member Brucker, seconded by Member Gallagher, and unanimously carried by a vote of 5-0 to approve the proposed third amended order regarding low income designated credit unions – public unit, non-member deposits, and secondary capital, and for the Commissioner to sign the Order on behalf of the State Credit Union Board**

**PROPOSED PARITY ORDER: PUBLIC UNIT AND NON-MEMBER DEPOSITS**

Assistant Commissioner Krebs reviewed the order. This order only applies to credit unions that are not low income designated. This order parallels what the federal authority is and allows for credit unions without the low-income designation to take public unit deposits and deposits from non-member credit unions. This is a new order, giving authority that had not been given in the past.

Member Brucker asked what the difference was between the first and second order. Assistant Commissioner Krebs stated the secondary capital is not in the second order. Also, the first order regarding low-income credit unions allows for more categories of non-member deposits, such as non-member customers.

**It was moved by Member Gallagher, seconded by Member Stillwell, and unanimously carried by a vote of 5-0 to approve the proposed parity order**

**public unit and non-member deposits, and for the Commissioner to sign the Order on behalf of the State Credit Union Board.**

## **2020 ASSESSMENT POLICY FOR STATE CHARTERED CREDIT UNIONS**

Chair Kruse indicated it may be a challenge to come up with an estimate of what the next year will look like due to reduced travel and offsite exams as a result of COVID-19. Chair Kruse stated that it was decided that PPP loans will be excluded from the assessment calculations. Assistant Commissioner Krebs provided an overview of the Memorandum dated June 5, 2020, discussed two budget scenarios. The budget allocation costs have been adjusted to more accurately represent the amount of time the Assistant Commissioner, Chief Examiner, Review Examiner, Administrative Examiner, and Business Manager are spending on the Credit Union Division. Chair Kruse stated the goal is to manage the carryover to within the 20% statutory limit of the Department's next succeeding budget.

Member Brucker asked what net effect the new allocations have on what credit unions would be paying compared to last year. Assistant Commissioner stated it would be roughly \$58,000 per year more of overhead now being allocated to credit unions. Commissioner Kruse stated that the Department tries to ensure that no division is paid for by industries other than what they regulate and with the new budgeting software, it has made it easier to be more accurate in this regard. It may have been less accurate in the past, which is why changes have been made to allocations. Chair Kruse stated that as credit unions have grown and some have needed more attention, it means more time is spent at those credit unions.

Chair Kruse also referred to the Governor's press briefing regarding budget cuts and because the Department is special funds, we have not been asked to cut but to re-prioritize 5% of the budget.

Member Gallagher asked if the Department is comfortable that the calculation for assessments are sufficient to cover credit unions that are large or complex and where Letters of Understanding have been issued. Assistant Commissioner Krebs stated it is believed to be. Member Gallagher then stated that the Board looks at the discount that is determined annually and asked if the Board gets an opportunity to look at the budget allocations each year, or should it if not. Assistant Commissioner Krebs confirmed that it is revisited and discussed each year. The difficulty in creating projections due to the current pandemic and uncertain economic environment was also discussed.

Member Brucker stated that he had been on the board for quite a long time and that in the past the assessments were quite a bit higher than what NCUA's was. The Board and the DFI at the time committed to get the number down to give North Dakota credit unions a value and was pleased to see that the DFI assessments are well below the NCUA assessments. Member Brucker commended the Board and DFI for that commitment and follow-through.

Assistant Commissioner Krebs pointed out that the previous discount was 30%. It is recommended giving a 30% discount.

**It was moved by Member Stillwell, and seconded by Member Gallagher, and unanimously carried by a vote of 5-0 to approve the State-Chartered Credit Union Annual Assessment Policy with a discount of 30%.**

## **INVESTMENT RULE AND CHANGES TO NCUA RULES FOR DERIVATIVES**

NCUA has rules for derivatives, but there are none under North Dakota State law. Assistant Commissioner Krebs posed the question does the Board want to change our rules to allow for derivative authority. Our current rules mirror NCUA's old rule, which disallowed derivatives, but NCUA now allows some derivative authority.

First Community Credit Union representatives Stephen Schmitz and Sean Rinkenberger spoke as to how their credit union would like to utilize derivatives to hedge interest rate risk, not speculative derivatives.

Member Brucker asked if this was something the Board could do an order for or would the Board need to go through the rule making process, which takes about a year. Commissioner Kruse stated it would need to be a rule change, which does take time. Assistant Commissioner Krebs stated that best case scenario it could take six months, but due to timing of legislative session, it would most likely take a year.

Member Gallagher stated she would be in favor of the Department exploring this and starting the process because it is a nice risk management tool for the credit unions and would like to see every tool available to them, especially since federally chartered credit unions are allowed to utilize derivatives. She also stated that it should

be a decision of each individual credit union's Board of Directors to determine what level of risk or which tools they can use and are appropriate for those credit unions. Because of this, Member Gallagher feels the Board and the Department should pursue changing this rule.

Member Brucker agreed that there is merit to look into it, and also it would behoove us to see if there are any other items that may have been missed in the past that should be looked at for rule changes, knowing that it is a lengthy process.

Commissioner Kruse stated that the Department will start drafting the rule changes to bring before the Board and start the process.

Jeff Olson, Stephen Schmitz and Sean Rinkenberger left the call.

## **CREDIT UNION BUDGET UPDATE**

Chair Kruse went over the budget and the accompanying graphs. The biennium remaining and the budget remaining is in line and within the budget guidelines. Chair Kruse stated that due to the COVID-19 pandemic the Department is doing remote exams, which has reduced travel.

**It was moved by Member Brucker, seconded by Member Stillwell, and carried by a vote of 5 to 0 to adjourn to executive session.**

**The Board went into closed session at 10:15 a.m. to review the Supervisory Reports of Examination pursuant to North Dakota Century Code 6-01-07.1 and returned to open session at 10:43 a.m. Those that were present during the executive session were Chair Kruse, Member Brucker, Member Gallagher, Member Stillwell, Member Economon, Corey Krebs, Ryan Spah, Dave Hatton, and Lisa Kirschmann.**

## **OTHER BUSINESS**

Chair Kruse stated that the examiners are still working remotely, and the credit unions have been accommodating and understanding and exams have been going well. Due to this, the Department examiners have been able to continue to work. The Department has had trouble with employee retention in the past due to all the travel required. After institutions have had offsite exams, some have appreciated not having all of the examiners there during this time. More and more institutions are

opening their lobbies and taking safety precautions to keep their members and employees safe. We have had some reports of institutions closing for cleaning after exposure, but so far it has been impressive how the industry has stepped up to keep serving their members. North Dakota is currently one of the top states with PPP loans per capita, which speaks to the members having a good relationship with their institutions and the credit unions' willingness to work with their borrowers during this time. Chair Kruse wanted to express her appreciation to the Board for their level of engagement. Both Member Brucker and Economon's terms are expiring soon and both have agreed to serve another term.

Member Stillwell wanted to express her appreciation for the communication that has come from the Department during COVID-19 and the willingness to let institutions help their members.

The meeting adjourned at 10:47 a.m.

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Lise Kruse, Chair

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Corey Krebs, Secretary