

MINUTES OF THE REGULAR MEETING
OF THE STATE BANKING BOARD

APRIL 18, 2001

As first item in order of business on the agenda, Chairman Thompson called the Banking Board meeting to order at 10:00 a.m., pursuant to the Agenda which was posted for public display prior to 10:00 a.m. on April 17, 2001. The meeting was held in the Conference Room of the State Banking Department, Oklahoma City, Oklahoma.

Second item on the agenda was roll call; the following members were present:

Mick Thompson, Chairman
Brad Burgess
Chris Conn
Gordon Greer
Gary Huckabay
Jarrett Parker

Member Goad was absent.

Also present: Charles Griffith, Deputy Commissioner; Dudley Gilbert, Legal Counsel; Randy Brooks, Director of Examinations; Sherbie Kiffin, Supervisory Examiner; Wayne Arbuthnot, Senior Examiner; and Angela Morris, Secretary.

The Chairman noted for the record that a quorum was present.

Third item on the agenda, Chairman Thompson called for approval or discussion of the Minutes of the Meeting of the State Banking Board held February 21, 2001.

Member Huckabay made the motion to approve the minutes. Motion was seconded and approved as follows:

Brad Burgess - abstained
Chris Conn - voted yes
Gordon Greer - voted yes
Gary Huckabay - voted yes
Jarrett Parker - abstained

Fourth item on the agenda, Commissioner's Monthly Reports:

A. Department Status Update.

Chairman Thompson said the Department hired a new examiner trainee, Sean Burcham, who will replace Bryan Wynne and begin May 7, 2001. He said Sean Burcham has worked approximately ten years for banks while he was in college and after college so he has a lot of banking experience and will graduate at the beginning of May. He said he has a degree in Finance and Accounting.

He said Bryan Wynne has been with the Department fourteen years and went to work for First American Bank, Purcell.

Chairman Thompson said since the last meeting he met with the Governor concerning the Department's budget. He said Chris Smith is present from the Governor's office who was also in this meeting and asked Chris to let him know if he says anything that is incorrect. He said in the meeting he gave the Governor the Department's proposal which asked for an increase for salaries, computers, new copier, etc. He said during the meeting he showed the Governor the banks that have converted to a state charter in the last year and the number of applications for this year. Chairman Thompson said he discussed with the Governor that if the Department is to bring in more state chartered banks and add staff they wouldn't be able to continue to do this without the proposed budget. He said at this meeting on Thursday, the Governor agreed and told Chris Smith to monitor it. He said the next Tuesday, the Department's budget was vetoed. Chairman Thompson said Chris Smith is still monitoring this for the Department. He said about fifty other agency budgets were vetoed also and at this point, if the House and Senate pass the appropriations and there is not enough votes to declare an emergency, then the budget will not become effective until September 1, meaning the Department will be without funds during July and August.

Member Huckabay asked if this veto was a line item or a mass veto?

Chairman Thompson said it was a line item veto. He said the Governor vetoed all agencies that were not considered an emergency.

Chris Smith said the essential agencies are the ones whose budgets were approved which would include health, education, and public safety.

Member Greer said the Governor also vetoed his own budget and didn't feel it was anything personal against the Department.

Member Huckabay asked if there is anything the Board can do?

Chairman Thompson said if any of the Board members have any legislative contact, it would be helpful to let them know the position of the Department as soon as possible.

Chairman Thompson said the Department currently has six applications for conversion, but may not have the budget to convert the banks.

Chairman Thompson said the Board meeting for May will need to be rescheduled because part of the staff will not be in that week. He said the week of May 21-25 would be better and to let Angela know this week when a good time would be so that the meeting can be rescheduled. Members Conn and Greer said they would be able to meet May 25.

B. Examination Report.

Chairman Thompson gave the monthly examination report showing during the month of March eleven banks, two credit unions, one trust department, one cemetery, and one money order company were examined. Examinations in process at the end of March were six banks, two credit unions, one cemetery, one trust company, and one money order company.

Chairman Thompson said one examiner attended a NCUA Annual Conference, Orlando, Florida, for three days; two examiners attended an OBA Commercial Lending School, Stillwater, Oklahoma, for one week; and two examiners attended CSBS Trust Forum, Alexandria, Virginia, for four days.

Chairman Thompson said bank assets regulated by the Department during 1995 was \$13 billion and during 2000 was \$18 billion; credit union assets during 1995 was \$1.7 billion and during 2000 was \$1.8 billion; and cemeteries during 1995 was \$18 million and during 2000 was \$23 million.

C. Legislative Update

Chairman Thompson said the Bank and Credit Union Bills were both signed by the Governor. He said it looks like federal legislation concerning bankruptcy will probably make it through Congress.

Chairman Thompson said a week or so ago the Department faxed a notice of a proposed "Federal Exam Fee" being looked at by the President. He said this fee would allow federal regulators to also assess state chartered banks on top of the Department's assessment fee. He said this fee was in the House and Senate version and it came out of both of these versions and this week when the President presented his budget it was back in there. Chairman Thompson said hopefully this exam fee will not pass. He said the Department will be working on trying to stop this in the next few weeks.

Member Huckabay asked if the bankruptcy bill that the state has currently which exempts an unlimited amount of value in jewelry and other things, whether this bill will make it or not?

Chairman Thompson said Bob Cullison of the Oklahoma Bankers Association told him that he has votes in the Senate to kill the bill.

Chairman Thompson said the Department also faxed out a memo regarding a "Loan Officer Training Program" to all state chartered banks last week. He said the Department is working with the Federal Reserve Bank on this and it will help to show loan officers what bank examiners look for in asset quality, classifications and why they look at it the way they do. He said this has been in development for about a year and there will be a two hour power point presentation. Senior Examiners will be available from the Department and the Federal Reserve Bank and actually will be going through this process. He said he hopes this will help loan officers in building credit files and knowing what will be looked for when an examination begins and reduce the time it takes to do the examination. He said there will be further information faxed this week. He said this is the first time two regulatory

agencies have teamed up together in the United States to do an education program, and if it is successful, CSBS will present it to all other State Banking Departments. He said this program will be free of charge and currently the training will be held in Oklahoma City and Tulsa and will be held in other areas if there is enough participation.

Member Huckabay asked if there is a rule that pertains to “sensitivity” being considered every month instead of quarterly?

Wayne Arbuthnot said that Banking Board Rule 85:10-5-4 requires that the liquidity, interest rate risks, etc. are to be looked at monthly. He said this is a rule that the Board passed within the last few years.

Member Parker asked if the Department would be attending the meeting the FDIC will be holding in Elk City regarding ag loans?

Chairman Thompson said yes.

Charles Griffith said as of last Friday, only seven banks have signed up for it.

Member Parker asked Randy Brooks if the Department is caught up on reports?

Mr. Brooks said the Department is behind on examinations only because of recent conversions. He said it won't take long to get caught up.

Member Greer asked if the part-time plan of having retired examiners help with the examination process is still being looked at?

Chairman Thompson said since the Department may not have money for two months, the plan will have to be put on hold, but eventually will be put in place.

D. Report to the Board on status of pending applications.

Fifth item on the agenda, Request for Conversion from a National Charter to State Chartered Institution:

A. The American National Bank & Trust Company, Sapulpa, Oklahoma
Proposed Name: “American Heritage Bank”

Randy Waldrup, Vice President; William Berry, Chairman of the Board; and Guy Berry, III, President, were present to answer questions.

Guy Berry said they are reluctant to change the name of their bank after 96 years of having this name, but he said they do not receive the service from the Comptroller of the Currency that they should be getting. He said in the last five years they have been examined by a group from Nashville, Tennessee and Dallas, Texas. He said he feels their primary regulator doesn't have any idea what kind of economy or problems there are in Oklahoma and doesn't feel they are an advocate for community banks. He said in the long run, the bank will save approximately \$20,000 in assessments and

eventually save another \$30,000-\$40,000 overall. He said the Department's conversion examination went well and it will cost a lot of money to change their name.

Member Greer said he is familiar with this family and said there is not a finer family in the banking industry in Oklahoma.

Member Huckabay said he also feels they run an outstanding bank.

Member Conn made the motion to approve the conversion. Motion was seconded and unanimously approved as follows:

Brad Burgess - voted yes
Chris Conn - voted yes
Gordon Greer - voted yes
Gary Huckabay - voted yes
Jarrett Parker - voted yes

Chairman Thompson said from the Department's standpoint they are a well thought of bank and will set a good example for other banks wanting to convert.

Member Conn made the motion to adjourn at 10:43 a.m. Motion was seconded and unanimously approved as follows:

Brad Burgess - voted yes
Chris Conn - voted yes
Gordon Greer - voted yes
Gary Huckabay - voted yes
Jarrett Parker - voted yes

Mick Thompson, Chairman

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Brad Burgess

Chris Conn

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Gary Huckabay

Gordon Greer

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Jarrett Parker