

MINUTES OF THE MEETING
OF THE STATE CREDIT UNION BOARD

July 18, 2000

First item in order of business: Chairman Mick Thompson called the regularly scheduled monthly meeting of the State Credit Union Board to order at 10:00 a.m. pursuant to the agenda which was posted for public display prior to 10:00 a.m. on July 17, 2000. The meeting was held in the conference room of the Oklahoma State Banking Department, Oklahoma City, Oklahoma.

Second item: Roll call - the following members were present:

Mick Thompson, Chairman

Floyd Atha
Troy Higgins
Les Rector

Member Cotten was absent.

Also present for the Department: Dudley Gilbert, General Counsel; Kathy Ward, Credit Union Administrator; Lisa Jones, Secretary.

Third item: Approval of the Minutes of the Regular Scheduled Meeting held May 16, 2000.

Chairman Mick Thompson: Asked for any changes or additions to the minutes from the Board.

Member Rector: Made a motion to accept the minutes as written.

Member Atha: Seconded the motion. Minutes were approved unanimously as follows:

Member Higgins - Yes

Chairman Thompson - Yes

Member Atha - Yes

Member Rector - Yes

Fourth item: Commissioner's Report - Chairman Thompson said that we have already started preparing the budget for next year.

Chairman Thompson: Two credit unions have been examined in the month of June and two are in process. Kandace Natale and Terry Slagle attended training in St. Louis.

Fifth item: Request by Oklahoma Educators Credit Union, Oklahoma City, Oklahoma to add employees of Convergys, Moore, Oklahoma to their field of membership.

Chairman Thompson: Asked for any questions from the Board?

Member Higgins: Made a motion to approve the request.

Member Rector: Seconded.

The motion passed as follows:

Member Higgins- Yes
Chairman Thompson - Yes
Member Atha - Abstained
Member Rector - Yes

Sixth item: (A) Request by Tulsa Federal Employees Credit Union, Tulsa, Oklahoma to add employees of John Christner Trucking, Inc., Sapulpa, Oklahoma to their field of membership.

Chairman Thompson: Asked for any questions from the board?

Member Higgins: Made a motion to approve the request.

Member Atha: Seconded.

Motion passed as follows:

Member Higgins - Yes
Chairman Thompson - Yes
Member Atha - Yes
Member Rector - Yes

(B) Request by Tulsa Federal Employees Credit Union, Tulsa, Oklahoma to add members of Longview Lake Association, Inc., Tulsa, Oklahoma to their field of membership.

Member Atha: Made a motion to approve the request.

Member Rector: Seconded.

Motion passed as follows:

Member Higgins - Yes
Chairman Thompson - Yes
Member Atha - Yes
Member Rector - Yes

(C) Request by Tulsa Federal Employees Credit Union, Tulsa, Oklahoma to add members of Dawson Neighborhood Association, Inc., Tulsa, Oklahoma to their field of membership.

Commissioner Thompson asked if they had submitted bylaws.

Kathy Ward: Yes, they did.

Commissioner Thompson: Asked if there were any questions from the Board.

Member Higgins: Asked if associations may also be enrolled thru the SEG procedure?

Kathy Ward: They can be now, but they used to all have to come before the board.

Member Higgins: Asked when that change occurred?

Kathy Ward: When we revised the SEP procedures.

Member Rector: Asked if there was a number requirement that still applied?

Kathy Ward: Yes, 500.

Member Higgins: Made a motion to approve the request.

Member Atha: Seconded.

Motion passed as follows:

Member Higgins - Yes

Chairman Thompson - Yes

Member Atha - Yes

Member Rector - Yes

(D) Request by Tulsa Federal Employees Credit Union, Tulsa, Oklahoma to add employees of AEC Electric Company, Inc., Bristow, Oklahoma to their field of membership.

Member Higgins: Asked the reason this was submitted.

Kathy Ward: Stated that this one is located over 25 miles from the Credit union, and that is why it was submitted.

Member Higgins: Commissioner, would it be appropriate to discuss this mileage issue with respect to SEP's?

Commissioner Thompson: I would suggest that we put that as an agenda item for the next board meeting. If you would like that put on the agenda, we can certainly do that.

Member Higgins: I would ask that we do that.

Member Atha: Made a motion to approve the request.

Member Rector: Seconded.

Motion passed as follows:

Member Higgins - Yes

Chairman Thompson - Yes

Member Atha - Yes

Member Rector - Yes

Seventh item: Request by Tulsa Federal Employees Credit Union, Tulsa, Oklahoma to amend its charter to include as a community, Owasso, Oklahoma.

Commissioner Thompson: Asked if the credit union was intending to convert to a community charter?

Phil Hart: No. What we are attempting to do, is to use the Federal guidelines in the area of multiple common bonds to create a multiple common bond charter that is allowed to serve communities. That is the format we used to submit this application. It doesn't require a change because if you read the entire Federal regulation, a community of 300,000 or more in adjacent communities are not allowing them to be a community charter. Our concern was that we would like to serve areas that we are predominately doing business in anyway. That would allow us to market a little differently. Also, create the possibility in the future of taking credit union services to communities that have no credit union available.

Commissioner Thompson: Then you are not asking to convert to a community charter?

Phil Hart: No. We merged with a federally chartered credit union in Skiatook, which was a community charter. The board allowed us to continue to retain Skiatook as a FOM, because it was a merger. It worked out very efficiently. So, we already have somewhat of a precedence set within our field of membership. We currently serve at least 5 of the major employers in the Owasso area. It is not clear when you make a request like this, who is actually participating in a request like this. So we went to the employers and the Chamber of Commerce. You have to realize what position the Chamber of Commerce is in. They are going to endorse the idea, but they aren't going to alienate themselves from our banking friends. Then we followed the specific guidelines setup for federal. I wasn't sure that the Legislation was directed at the fact that we would use the wild card provision. It is clear that the wild card provision is in effect now. And the wild card provision would say that you can do anything that you can do as a Federal Credit Union.

Commissioner Thompson: I don't think that you can take part of the Federal law and say we are going to do this and not take all of it. If you take part of the Federal law, you're only taking the part that talks about adding communities. If you take part of it, then you have to take all of it.

Member Rector: It was my understanding that there were three options, you could have a single SEG, multiple SEG or Community Charter, but you couldn't be more than one. Am I misinterpreting?

Dudley Gilbert: That is correct. I am not familiar with the federal law interpretation that Mr. Hart is describing.

Phil Hart: Reference would be page 2-49. 2-45 Community Charter requirements.

Kathy Ward: He is in the community charter provisions. To take anything from the community charter provisions, you would have to convert your charter to a community charter.

Mr. Hart: That is not our interpretation.

Member Higgins: When we were dealing with section 2023, in the last year, looking at interpretations, there was a distinction between business powers verses field of membership. My understanding was that 2023 was applied to business powers between state and federal chartered credit unions, but did not include field of membership issues. So to try to apply field of membership issues with practice of federal chartered credit unions, 2023 of the state act is not applicable. That is what resulted in the new statutory language.

Dudley Gilbert: That is correct.

Member Rector: My understanding that the wild card statute is used when state statute does not specifically address an area. State statute overrides the wild card statute when applying federal law.

Dudley Gilbert: Right. When there is a contrary provision in the state rules or statutes then you cannot use the wild card provisions to trump state law. So really what you're both saying is right. The Attorney General's opinion said that use of the wild card provision cannot be used in connection with field of membership. The wild card provision can affect how you operate your business but not with respect to adding additional members.

Member Rector: The state statute specifically addresses the types of charters you can have, so you can't apply the wild card.

Dudley Gilbert: I would agree with that. Especially with regard to field of membership. Even so, applying the wild card statute in this circumstance, I still don't agree with the interpretation described by Mr. Hart regarding federal law. A charter that remains a multiple common bond charter, cannot add a community as one of its multiple groups. Instead, in my interpretation, you would have to convert to a community charter for that community. You could still retain your multiple SEG's, and service existing members. In order to get a community, you must declare yourself to be a community charter.

Mr. Hart: There is a lot of interpretation, obviously. So I asked the question of them, what was the reasoning of the confusion? He said, "It applied to the fact, due to the requirements of community charter, it would totally eliminate the possibility of adding a small community to become part of an existing credit union. Simply because under the charter guidelines it specifically says a community of 300,000 or more. I can't have a community charter. Its contradicting, in the same category. If we were to apply for a community charter, using Tulsa, based on what we are reading under the chartering guidelines, it says we couldn't do it.

Dudley Gilbert: You're not applying for a charter for communities greater than 300,000.

Mr. Hart: And adjacent communities fall into that. As they explained it, that was to prevent some of the things that are happening in banks. A bank can move a location, and then they can change how they go about adding additional offices. If we were to change our headquarters to Owasso, and do this, and grandfather in existing groups. What I guess we are trying to establish is that there is a great value for

all credit unions in the room, to be able to go to communities, and bring services to these communities that don't have credit union services. I don't know that the law is so clear that we couldn't set a precedence, so we can accomplish this.

Commissioner Thompson: Let me back up to a statement you made earlier. Are you saying that a Federal Charter does not have to be a community charter to add communities?

Mr. Hart: That is our understanding. I am trying to take what is in their most recent book.

Commissioner Thompson: I have never heard anything interpreted that way before. That is why I am shocked. I have talked with Austin too, you see.

Mr. Hart: It's not consistent from area to area.

Member Higgins: 2023 does not apply here.

Mr. Hart: Troy, I can't argue with you there.

Member Higgins: Your statements in regard to expanding credit union services to the citizens of Oklahoma is a position that is adopted by this industry, and I believe generally the board accepts that position. Taking that position and funneling it thru 2023, has not been our position, as a result of getting statutory language in the state act without the membership issues and the selection of a type of charter, either dealing with a single, multiple or community charter. Now that process has passed thru the statute, and is going to the rule making procedure. We can present that to the industry and public at large to adopt the rules that this board has acceptance of community charters. If we allow that process to play out, so that we don't get entangled in multiple interpretations that resulted in the Federal chartered rules. Set the stage for ourselves as state charters to do what is best for Oklahoma. What my concern is that we are taking a premature step without allowing that process to complete itself. I don't see that process being extended out for more than a few months. Which is appropriate for as a complex question as we have here. I wish I could put this problem in a more simple statement. But I don't know how.

Commissioner Thompson: One more closing remark.

Mr. Hart: I would just like to say that part of our reasoning for being eager to do this, is to set the stage. To date we have not been included in the discussions about rule making. There is little chance to change the rules once they have been adopted by who ever creates these rules.

Commissioner Thompson: Well, maybe you don't understand the rule making process. Maybe that is the problem that you have, you don't understand how the rules are done. There will be a public hearing when the rules are submitted. At the public hearing, any changes can be made and it will still be a long time before the rules are submitted to the legislature.

Mr. Hart: I will withdraw the request at this time, rather than to be denied.

Member Atha: Commissioner, one final statement. What Phil is trying to do, is to make a community charter in a small town makes a lot of sense. There are issues that need to be addressed.

Member Atha: Made a motion to approve the request for withdrawal.

Member Rector: Seconded.

Motion passed as follows:

Member Higgins - Yes
Chairman Thompson - Yes
Member Atha - Yes
Member Rector - Yes

Eighth Item: Request by WEOKIE Credit Union, Oklahoma City to add members of the Oklahoma Foundation for Medical Quality, Inc., Oklahoma City, Oklahoma to their field of membership.

Member Atha: Made a motion to approve the request.

Member Rector: Seconded.

Motion passed as follows:

Member Higgins - Yes
Chairman Thompson - Yes
Member Atha - Yes
Member Rector - Yes

Ninth item: Request by Tulsa Teachers Credit Union, Tulsa, Oklahoma to add Employees of Olive Public Schools, Drumright, Oklahoma to their field of membership.

Member Higgins: Made a motion to approve the request.

Member Atha: Seconded.

The motion passed as follows:

Member Higgins - Yes
Chairman Thompson - Yes
Member Atha - Yes
Member Rector - Abstained

Tenth Item: Request by Federal Employees Credit Union, Oklahoma City, Oklahoma to add students of Southwestern Oklahoma State University, Weatherford, Oklahoma to their field of membership.

Member Higgins: I appreciate the information that was submitted.

Commissioner Thompson: What happens to a member once they graduate?

Lynette Leonard: Once they are a member they are always a member. Once they graduate, if they haven't become a member, then they are no longer eligible for membership.

Commissioner Thompson: What about alumni?

Ms. Leonard: We haven't asked for the alumni.

Commissioner Thompson: Any other questions?

Member Higgins: Made a motion to approve the request.

Member Rector: Seconded.

The board voted as follows:

Member Higgins - Yes

Chairman Thompson - No

Member Atha - No

Member Rector - Yes

The request was denied, due to lack of a majority vote.

Eleventh Item: Request by Williams Employees Credit Union, Tulsa, Oklahoma to add the employees of Charles Komar & Sons, Inc., McAlester, Oklahoma to their field of membership.

Member Rector: Made a motion to approve the request.

Member Atha: Seconded.

The motion passed as follows:

Member Higgins - Yes

Chairman Thompson - Yes

Member Atha - Yes

Member Rector - Yes

Twelfth Item: Chairman Thompson asked if there was any new business to become before the board.

Member Atha: Asked if there was an update on the complaint against Midwest City Credit Union.

Chairman Thompson: Stated that there was not.

Bob Bianchini: The industry wants for every Oklahoman to have the opportunity to become a Credit Union Member. With respect to some of the barriers that we might impose upon ourselves, I would caution you. Realize that those barriers no longer exist. With computers people can get the best credit card rates, cd rates, mortgage rates and so on. We need to be careful about constraining the ability of credit unions to compete in this environment. To set artificial barriers, and they are artificial, that only apply to credit unions. To put credit unions in that kind of non-competitive position, is very dangerous, to say the least. I implore the board, as they develop the rules that we do so in a way, that allows credit

unions to compete effectively. That we don't impose upon ourselves constraints that do not hamper other financial segments of the financial industry.

Commissioner Thompson: Any other comments?

Member Rector: Bob, that is well said. What my concern is the rule making can get drawn out forever and ever, and nothing ever happens. We end up having to face articles like this. I think there has to be some sense of urgency placed on this, to make sure we're not putting state credit unions in a non-competitive position. As a trade association, you need to get the message out that this is being discussed, and worked on now, and input is needed.

Bob Bianchini: We have done that on more than one occasion in terms of communication with the industry. You make a very valid point, too. There needs to be value associated with a state charter. People in this room pay a premium to be a state chartered credit union. In return for that there ought to be some value.

Commissioner Thompson: Look at what they get. Quality board members.

Bob Bianchini: Absolutely.

Member Higgins: You can get value for that. What is not inherently there is that we address these things more with lack of involvement with lack of consistence because of our role, and address what we need. Now, that is the nature of the maturity of the industry, it's not a nature of the rule. The Commissioner serves a regulatory role, and the board serves as trying to judicially interpret that guideline. But the guidelines must exist. There must be participation by those who meet those guidelines, to meet the needs of the citizens of Oklahoma. To construct them in a way that we are not at a disadvantage. To shortchange that process and say that is the role of the Commissioner or Legal Counsel or the Board, and impose that upon that structure, that won't work.

Bob Bianchini: And I hope you understand, that I am not suggesting that.

Commissioner Thompson: Any more questions or stump speeches?

Member Atha: This issue on community charters might indicate a need for additional education. That law was passed some time ago and signed by the governor. It's my understanding that governmental affairs committee appointed a subcommittee. The only way that I would have known that this was being discussed was because I asked. If I had not asked that question I would not have known. We need additional communication, and we need it quickly.

Bob Bianchini: We have communicated that both electronically and in our management update.

Member Atha: I know 2 people in this room who will disagree with that Bob. This is not the time or place for that.

Member Higgins: There is an issue that will be discussed among GAC committee openly. Because there was a committee put together to deal with that issue of community charters. The problem that we have is that a working committee when recommendations and suggestions are to be made to general

committee which is open to any member who wants to attend, when those suggestions are open to the industry, and the industry prematurely brings those as a method to try and adopt a community charter before its gone thru the administrative procedures and act requirements and openly among the industry as a proposal by the GAC. That is not wrong. And to suggest that those committee notes should be released prematurely, I think causes more confusion and results in a higher level of misinterpretation of what we are trying to accomplish. That is a problem. Not the efforts of the working committee who try to formulate a proposal that could be presented to all industry members and not just a few.

Commissioner Thompson: We are working right now, on rules, talking with other states, getting information, getting input from individuals in the industry. This is a regulatory issue that we will bring to the board. The rules process is an ongoing building process as you go thru it. You have more than ample time for input, by the time this process goes thru all of the different hearings, publications, notifications. At the public hearing, you are sure able to change them at that point. We are going to try to address not just community charters as we have talked about, but other things that have come up that need a definition.

Any other speeches that anyone wants to give today?

Thirteenth Item: Chairman Thompson asked if there was a motion to adjourn.

Member Higgins: Made a motion to adjourn.

Member Atha: Seconded.

Motion passed as follows:

Member Higgins - Yes

Chairman Thompson - Yes

Member Atha - Yes

Member Rector - Yes

Adjournment was at 11:05 am

Mick Thompson, Chairman

Troy Higgins

Floyd Atha

Les Rector