

MINUTES OF THE MEETING
OF THE STATE CREDIT UNION BOARD

January 16, 2001

First item in order of business: Commissioner Thompson called the regularly scheduled bi-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 January 12, 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

Richard Forshee
Floyd Atha
Les Rector

Member Higgins was absent.

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

Third item: Approval of the Minutes of the regular scheduled meeting held November 21, 2000.

Commissioner 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:

Commissioner Thompson: Yes

Member Atha: Yes

Member Rector: Yes

(Forshee did not vote because this was his first meeting to attend as Board member)

Fourth item: Commissioner's Report - Commissioner Thompson stated that we don't have the official house bill yet. But we have copies of HB 1764. Page 4 includes the new language where the Board is given the authority to set the credit union assessments. Page 5, strike the language saying that assessments are set by rules by the Commissioner. At the bottom of that same page, that a special exam includes examinations conducted in connection with a charter conversion. As you may know we are doing a charter conversion right now. If you read the law just in general terms it is a little vague as to whether that is that a special exam or is it a conversion exam. So that has been clarified. All of the other language in the bill is

strictly cleanup. What I have pointed out to you is the only new language, everything else is just existing language we have put in different sections. Kathy do you have any comments? Dudley?

Commissioner Thompson then reported that in the month of December one examination was completed and one is in process. We are current on our examination cycle. Any questions from the Board?

Fifth item: Announcement that Richard Forshee is a new member of the Oklahoma State Credit Union Board appointed by the Governor. He then introduced the Chairman of the Banking Committee, Representative Blackburn. Thank you for being here with us today. Do you have any comments about the bill?

Representative Blackburn: No.

Sixth item: Request by Tulsa Teachers Credit Union, Tulsa, Oklahoma to amend their bylaws, Article IV, Section 2,3,4,7 and 9, Membership; Article VIII, Section 4, Loans and Investments; Article IX, Sections 2,4 and 5, Board of Directors; and Article X, Section 2, Credit Committee.

Member Atha made a motion to approve the request.

Member Forshee: Seconded.

The motion passed as follows:

Member Forshee: Yes
Member Atha: Yes
Member Rector: Abstained
Commissioner Thompson: Yes

Seventh item: (1) Request by Oklahoma Educators Credit Union, Oklahoma City, Oklahoma to add Members of OSSBA (Oklahoma State School Boards Association), Oklahoma City, Oklahoma to their field of membership.

Member Rector: Made a motion to approve the request.

Member Forshee: Seconded.

The motion passed as follows:

Member Forshee: Yes
Member Atha: Abstained
Member Rector: Yes
Commissioner Thompson: Yes

(2) Request by Oklahoma Educators Credit Union, Oklahoma City, Oklahoma to add Members of OCA (Oklahoma Coaches Association), Oklahoma City, Oklahoma to their field of membership.

Commissioner Thompson: Just for clarification, are most of these eligible for membership now?

Member Atha: If I can answer that, they are all teachers, but this would be a more effective way to market to them.

Commissioner Thompson: But they can be members now anyway?

Member Atha: The coaches for sure, some of the school board we're adding new.

Member Forshee: Made a motion to approve the request.

Member Rector: Seconded.

The Motion passed as follows:

Member Forshee: Yes

Member Atha: Abstained

Member Rector: Yes

Commissioner Thompson: Yes

Eighth Item: Request by Oklahoma Central Credit Union, Tulsa, Oklahoma to add Employees of U.S. Cellular, Tulsa, Oklahoma to their field of membership.

Member Rector: Made a motion to approve the request.

Member Forshee: Seconded.

The motion passed as follows:

Member Forshee: Yes

Member Atha: Yes

Member Rector: Yes

Commissioner Thompson: Yes

Ninth item: Discussion of submitted comments regarding the rulemaking procedures and proposed rules:

Commissioner Thompson: For those who were here last month we discussed all of the rules item by item, and asked for comments. We received several. I would like to ask our legal counsel to go through the process.

Dudley Gilbert: We sent out this schedule to everyone. We are down to about the 7th item, January 16, which is the date of adoption. So what we will be doing today is adopting the rules. Simply because we adopt them, does not mean that they become effective immediately. Going through the list we probably have 10 or 12 other significant dates following today. What will happen today is that the Board will adopt rules. After their adoption we have 10 days to submit them to the Senate, the House and the Governor. Today's action won't be effective until they are promulgated, which takes other approvals. They should be effective sometime in the middle of May. What I can do to speed things along a little is to give a recap of comments that we received at the November meeting. If you don't have a copy, we have extras up here.

I think that the first comments start on page 10, dealing with fees. The first thing we did was change the numbering. The second thing, we had a comment on item one and two. You'll notice the last sentence, the Credit Union Board may waive the fee if a credit union merger is required at the direction of a state or federal regulator. We had a comment that said what if we have to undergo a merger because we are asked to, so under that circumstance the Board can decide to waive the fee.

There was another comment with respect to applications to relocate the main office. We have deleted that in its entirety, there is no fee for change of location. Also, we did have an application fee for changing the name, and because that conflicted with another rule we had we deleted that in its entirety. There is another fee and another rule that deals with changing name.

The other comment was whether the Board should be allowed to consider each individual application, and perhaps waive a fee according to what the Board desires for a particular credit union. That comment was not implemented in the final rules. I think that the Board discussed at the November meeting that it would not be a prudent thing to do. You would really never know whether or not the fee would be charged. Before the Chairman opens it up for comments, we will go on with the other changes that were made.

There was a comment on page 14, at the bottom part E item 10. We changed the word "shares" to "deposits". Moving over to page 19. There was a comment in respect to item 7 c. The comment was based on what a service facility might be considered. The comment was whether or not we would include shared branches as a service facility. There was also the idea that perhaps an ATM would be considered a service facility. There was another comment that said we could just add the definition of "service facility". One of the Board members suggested that the definition be broad so that it could change depending on how technology proceeds. On page 20 subsection G was added, and it says, "for purposes of this section, the term "service facility" shall include shared branches, automated teller machines, and such other facilities whether structural or electronic, which the Board may recognize". So that gives the Board flexibility in the future to recognize new innovations.

On the last page of the new rules, field of membership disaffiliation subsection B. The former rule required that if a credit union wanted to allow a disaffiliation it still had to come before the Board. The comment was that if the credit union was agreeable with the disaffiliation, then it shouldn't have to come before the Board. We changed subsection B to say that a credit union may voluntarily allow select associational group or select employee group to disaffiliate

without Board approval. Those are the changes made based on the comments in November. If the Board wants to entertain further comment, I guess now would be the time.

Commissioner Thompson: Thank you, Mr. Gilbert. I think we mentioned, as we started this process, that everyone would have plenty of opportunity for input. If the Board has any comments or changes that they would like to consider, there is still opportunity, before the Board adopts these rules to send to the Legislature, to make those changes. Does the Board have any comments or changes that they want for us to look at?

Member Atha: I have a question, on page 2 item A number 4. "such non-standard community that the Board "shall approve" or "may approve"?"

Dudley Gilbert: It could be "may approve".

Member Atha: On page 7, we are deleting where you pay \$6.00 to get the agenda sent to credit unions. How are the agenda's made available after this?

Commissioner Thompson: Anyone can request them, by the public records act. When there is a request, it is honored.

Member Atha: On page 17, bottom of the page. "... the Board shall not disapprove of a credit union's designated community based on overlapping membership." So the Board could not disapprove an overlap even if it wanted to. There are cases where an overlap could put a small credit union in a very bad way.

Dudley Gilbert: Well, strictly on overlap.

Richard Forshee: Could we not disapprove that based on the fact that it would put the credit union in a very bad way. There it's not limited strictly to the overlapping situation, there is an additional circumstance involved.

Commissioner Thompson: This is only under community charters too.

Dudley Gilbert: I think there maybe something else in multiple common bond situations.

Member Atha: When it says "may not disapprove" or "shall not disapprove" makes me nervous, as a board member. Jumping ahead on page 20 item E, "...the Board may not disapprove select employee group solely on the basis of distance to a service facility." So if someone comes in and wants to service someone in San Francisco, then we can't turn them down.

Dudley Gilbert: We can change these however you like. I can address page 20 subsection E first. At the federal level there is a distance limitation with respect to multiple common bonds. This Board has chosen to not require or recognize a distance limitation with respect to multiples, because we have allowed groups as far as Minnesota. I was always uncomfortable with not imposing a distance limitation, because we had no authority. So this is simply to recognize that we have no distance limitation. That is an advantage to state chartered credit unions. We can re-word that however you want to.

Member Atha: Another question, page 19. You have to have a CAMEL rating of 1 or 2, as of when?

Kathy Ward: As of the last examination.

Dudley Gilbert: For instance, if you have a CAMEL rating of 3, and you wanted to add someone, we could put in here that you could request a special exam.

Member Atha: What if you said anyone could do that unless they are a CAMEL rating of 4 or 5? If you are going to open it up and let people grow, then we have restricted them somewhat.

Commissioner Thompson: From a regulatory standpoint, I am not for that. If they are not a 1 or 2, then they don't need to be growing. They need some control.

Dudley Gilbert: Subsection A is primarily directed at the streamline process. The board must approve select employee groups, and select associational groups, except when the credit union has a composite CAMEL rating of 1 or 2, and the group doesn't exceed 500. Really, if you have a CAMEL of 3,4 or 5, you can add groups, it just has to come before the Board.

Member Atha: CAMEL 1 or 2, as of the last exam? That is just understood?

Dudley Gilbert: I can write it in there. You can change it however you like.

Member Forshee: It seems to me that the CAMEL rating that is in effect at the time that you make the request is what is important. It would be as of the last examination, because that would have been the last time one was assigned. If we limit ourselves to that then we eliminate the opportunity to request a special exam. Well, that would still be considered the last exam, strike that. That is what I get for thinking out loud.

Member Atha: I have a concern about overlaps. The overlapped credit union doesn't have to be notified in any way?

Dudley Gilbert: No.

Member Atha: The first way they would even know about it, would be through the grapevine from one of their members. That has happened in the past. I don't think that is a good idea. There should be some kind of a notification process.

Member Rector: I guess that I have a little bit of trouble with that, because if BOK comes in and provide service, they aren't going to notify any credit union. Why would we require that of the credit unions?

Member Atha: I am not proposing that they have to have permission. I am proposing that the small credit union have an opportunity to counter, via marketing in order to stay viable. Just eliminate the surprise, and notify the credit union.

Member Rector: If you have a community charter, you could be overlapping lots of credit unions.

Dudley Gilbert: Right now we are dealing with the multiple common bond circumstance.

Member Atha: That small credit union ought to have some kind of warning, rather than finding out after it happened.

Member Forshee: If notice is given, there still isn't any remedy on the part of the overlapped credit union to protest or object to the application, because it doesn't come before the board. I am just asking, what does the notification accomplish?

Member Atha: It gives them a heads up, that they might need to do something different to survive.

Commissioner Thompson: At what point would they be notified?

Member Atha: There ought to be a time frame.

Commissioner Thompson: So you are saying they ought to have pre-notification? That is a little different.

Member Atha: You are right, it is.

Commissioner Thompson: You want to notify them, and give them a chance to save the group. That is different then just notifying them.

Dudley Gilbert: Is there a requirement that a streamline credit union has to send a letter requesting credit union membership?

Member Rector: The credit union has to send a letter.

Dudley Gilbert: No, the group that is being added?

Phil Hart: You notify the State Banking Department to see if the group is already being served.

Dudley Gilbert: Perhaps we could add something that says if the group that is being added to your credit union, if they are sending a letter requesting membership, they have to copy that letter to their existing credit union.

Member Atha: That would solve it.

Dudley Gilbert: That letter comes in advance of approval.

Member Forshee: Just so that we are all on the same page here, it seems like there is a difference between an overlap and whether or not that particular group is being served by another credit union. For example, the two groups we approved for Oklahoma Educators today, those groups as it said in the paperwork are not being served as groups. But certainly had to be a number of overlaps there, for instance, Tulsa Teachers probably serves some of those coaches in Tulsa. There is a distinction here that needs to be made between an overlap and whether or not that specific group is being served by another credit union.

Member Atha: If you look at overlaps, there probably isn't anybody in the world who isn't served at some point. There are still some small credit unions that just have one or two groups.

Commissioner Thompson: If you want them notified to give them a chance to save the group, then they would have to be notified before they are approved. And what is the approval process. Technically it is just a matter of paperwork, they are automatically approved if they fit into this category. To me it is kind of like when the legislature opened up statewide branching. Now banks can branch wherever they want to. Before, you had this limit, and this protection. If you open up this community charter, then you don't have an overlap issue anymore. How could you? You can't have it both ways.

Member Atha: I am not trying to stop the overlaps, because they are going to happen. Any credit union that gets overlapped ought to have some notification from the other credit union.

Commissioner Thompson: Is it notification, or pre-notification? Because what I heard you say, that you wanted to notify them to give them a chance to save themselves. So, you are notifying them before they are approved, if you do that. My question is, what is the approval process? Once they send the letter, that says they want to be served. Under today's environment, if they are a 1 or 2, and under the 10%, then they're approved. There really isn't an approval process, even today.

Kathy Ward: At the credit union level there would be, in their minutes.

Commissioner Thompson: That's right. But the credit union who wants them, isn't going to notify them. Now we are going to wait and see if they do a better job to keep them. I don't mind the notification, but what I am trying to figure out is how is that going to give them a chance to save themselves?

Member Atha: But they still deserve the notification. The people that we accept as a Board, that can request service for a group. We aren't very picky. It could be a disgruntled former employee that got turned down for a loan. We would approve them, barring some kind of protest. We really don't ask.

Commissioner Thompson: How does notifying them change anything?

Member Atha: It doesn't really change anything, if it is a legitimate request to serve another group.

Member Rector: I would go back to if I am a credit union that is so dependant on one employee group, I believe I would make sure that I would do a good job of knowing what was going on.

Member Atha: There's not a group out there who hasn't had a disgruntled member. A disgruntled member can request service.

Member Rector: Right. If your doing a good job it won't matter. You will continue to get the business.

Member Atha: Well, I have stated my piece. I think we have a problem with this particular rule. I may be the only one.

Commissioner Thompson: There are two distinct differences. There is notification and there is notification to save themselves. I don't know how you could do the one to save themselves. I don't have a problem with notifying them, because it is kind of after the fact. Even in today's environment, when we have overlaps, it goes on. If you are going to open it up to community charters, and the multiple common bonds like we do here, I don't know how you save anybody from allowing somebody to move. Maybe that isn't the direction we want to go. Maybe we want to be limited. To me you can't have it both ways. You either open it up, or limit it.

Member Atha: We can open it up, in a credit union way. We have never been a group that stuck each other in the back. Why not just make it a requirement that the overlapped credit union be notified?

Commissioner Thompson: Under 7B?

Member Forshee: Maybe it is this simple, I don't necessarily favor the idea of it. Correct me if I am wrong, but the paper work that has to be turned in now under the streamline procedure, isn't there a statement in there as to whether this group is served by another credit union?

Member Atha: Yes.

Member Forshee: If that is true, then maybe the rule should say that if you respond affirmatively to that then one additional requirement is that you send a copy of your application to that credit union. That would be the extent of the notification. Simultaneously send it to the Banking Department.

Member Atha: That would work. They would know.

Commissioner Thompson: Mr. Gilbert, where would we place that recommendation?

Dudley Gilbert: Maybe we could put it on page 20, paragraph b7 information regarding overlaps with other credit unions. In the event there is an overlap then such other credit union shall be sent a copy of the application.

Member Atha: That's for the one that is 500 or more that has to come before the Board.

Dudley Gilbert: Then I could create a subsection H, that says in those instances where groups are added without Board approval, then the credit union adding the select group shall send notification to any credit union being overlapped.

Member Forshee: I think that is too broad. Maybe I have opened a can of worms with that suggestion. You have to get back to whether or not that specific group that you are requesting is being served by another credit union.

Commissioner Thompson: Does the Board feel like that there should be notification to the affected credit union that is being overlapped?

Member Forshee: I don't favor the requirement.

Member Rector: I don't have a big problem with that, it just creates more paper work. I guess my feeling is more toward Richard then, on notification.

Commissioner Thompson: I am also opposed to the notification. If we are going to open it up, let's just open it up. If I read the Board then, the majority of the Board is not in favor of the notification. Any other comments from the Board? Any comments from the public? This is time for you to make suggestions.

Bob Bianchini: I would like to reiterate what we wrote to you in our letter. We would like to congratulate the Department, the Board, and the staff, in particular Dudley. To reinforce your decision on the last conversation that there isn't another financial institution in the state that would do this sort of notification, any federal credit union or any bank or savings and loan association. It would be imposing a burden on a state chartered credit union, that isn't placed on any other financial institution in operation in the state of Oklahoma. I understand relationships between credit unions. I would encourage credit unions to cooperate in that manner, to work with each other to achieve things that we have been able to achieve such as shared branching and the kind of cooperative ventures that take place every day. I would hope that credit unions work that way. I would suggest that the law or regulations aren't somewhat of a restriction in such a competitive environment. Credit Union members can go home and turn on their computer and do business with credit unions, financial institutions, insurance company, brokerage firms and all major competitors that exist in the competitive market place today. I think that for credit unions, the burden here, the mission, is to go after the 2 million consumers in Oklahoma that are not credit union members, and to have them understand what a privilege and an opportunity it is to do business with a credit union. Again, I just want to commend the Board and Dudley. We appreciate the steps that have been taken.

Mark Kelly: I would also like to thank Dudley and Richard for clarifying some of the issues that I had. I hate to say this, but through the years the group changes. People that are in this room in 2 years from now may not be the same as they are today. Overlap as Richard described, is how I first remember overlaps being described. I have to say, I do agree with Floyd on certain issues here. We have always worked together. I would go a little further and say that taking over another group, I think that if there is pre-notification, there should also be the opportunity to object. I think that is one of the functions of the State Credit Union Board. I would like to see consideration given to that. Thank you.

Phil Hart: Point of clarification, as the existing application is right now, we are required to notify the Banking Department to see if the group is being served.

Member Rector: Phil, I'm not sure that's true.

Phil Hart: Then we're stupid, because that is what we do. There have been several occasions where we have been notified that the group is already being served. My question is not limited to this. Is it the understanding of what is being presented is that 2 credit unions

could get together and work out a resolve between them to serve a group. Then it isn't necessary to come before the board. Is what I understand correct?

Member Atha: It is addressed in the dissolution.

Phil Hart: It seems strange that other credit unions are doing it in a different fashion. We submit it to the Department, before they are presented to our Board, to see if they are being served by any other state credit union. I thought that was the rule. We have been notified on occasions when they are already being served by another credit union.

Kathy Ward: It is a question on the application.

Phil Hart: Also the person filling out the application, from the organization, makes a statement and signs it, stating that they are not being served by another credit union. Beyond that I don't know how you notify someone. We have had at least 5 groups that had no idea that they were being served by a credit union. The official body made the request. I wouldn't have a clue of even who to notify.

Member Atha: That is a good point.

Kathy Ward: There is a question on the application on whether or not you overlap. Phil, you are the only credit union that is diligent enough to even ask us. Most every one else just asks the company.

Commissioner Thompson: Other comments?

Mark Kelly: What would keep a company from changing credit unions every other month?

Commissioner Thompson: I don't know of anything, if company officials want to change I would hope that the company would be smart enough, and that wouldn't be what they want.

Kathy Ward: What it is going to boil down to is service. Who is going to give the best service. That is where the member will go.

Commissioner Thompson: The reality is, there are credit unions now, both state and federal, that anybody can join if they want to join, period. I'm sure none of them are in this room, but there are occasions where people have called to check on car loans, and they will give you a rate. The question was asked, "well how do you get a loan, I am not a member?" The dealership stated that the credit union said that it doesn't matter, that we can figure out how to make that happen. In checking into it, the credit union put out written information to the dealership, that if they come in and want to finance it, we will figure a way to make them qualify for membership. That is what is happening right now. That's not second hand, that is first hand. So we can sit here and argue this, but I'm not sure that this hasn't been over for a long time. Some of the credit unions will take anyone regardless of their select employee group or anything else if they think they have a job and can pay.

Any other questions or comments from the public on the rules. I would like to thank the League very much for working with the Department and Kathy and Dudley on the rules. To Mark Kelly and Floyd Atha, I would say that this isn't going to solve everything, but it's not

etched in stone. If problems start arising, we can make changes. If problems start arising, that could impact credit unions, let the Department know and we will certainly investigate it. I might have stuck in the rules somewhere the authority to put a moratorium on for a while if that is what it took to keep from injuring some of the credit unions. That is certainly not the intent of these rules. We will monitor them. This is the first major rule change in 10 years. I am sure that we will have to come back and refine some of these. As you can see, we are trying to be responsive to comments that we have received. We will have to lean on the League heavily to move these through just because the Board adopts it, it still has to go through Legislative committees. Some of this will not receive the open arms, even though the League supports it because of the fees. You are also opening up what credit unions can take in. This could become controversial. This won't be a slam dunk or anything. Just because we pass this today doesn't mean that in March we won't have problems with the Legislature, because that is a possibility. That certainly could happen. So those of you who believe the rules should be enacted need to talk to your legislators, and tell them the reasons we want to do this. Bobby Stemm and I need your help to enact these rules.

Phil Hart: Would you comment if there were any negative comments that came to the Department regarding the fees. Was there anybody?

Commissioner Thompson: No. There will be some in the legislature.

Member Atha: Did the State Credit Union League board vote approving the rules.

Bob Bianchini: The rules have been presented to the board and were approved. As far as I remember, they have governmental affairs committee approval.

Commissioner Thompson: Any other comments?

Member Forshee: We made the change at the top of page 19, there is a similar change that needs to be made on page 21, just to be consistent.

Dudley Gilbert: So any motion to approve these rules, will be as amended at this meeting.

Tenth Item: Adoption of proposed rules:

Commissioner Thompson: We are at the point that if there are other comments from the public or from the Board to adopt the proposed rules.

Member Forshee: Made a motion to adopt the proposed rules, as amended at this meeting.

Member Rector: Seconded.

The motion passed as follows:

Member Forshee: Yes

Member Atha: Yes

Member Rector: Yes

Commissioner Thompson: Yes

Eleventh Item: Commissioner Thompson asked if there was any new business to come before the board?

Commissioner Thompson: Has anyone heard any news about Board member Higgins?

Gina Wilson: He was hoping to go home Friday, but that hasn't been confirmed yet. He is getting ready to start his second round of chemo. He has received some positive news, that the chemo is working in some areas. We spoke last week and his spirits were high, and he was actually thinking business and giving jobs to do. We think that is good thing for Mr. Higgins.

Commissioner Thompson: Representative Blackburn, thank you for being here with us. We look forward to working with you as Chairman of the House Banking Committee.

Twelfth Item: Adjournment:

Member Atha: made a motion to adjourn.

Member Rector: Seconded.

Motion passed as follows:

Member Forshee: Yes
Member Atha: Yes
Member Rector: Yes
Commissioner Thompson: Yes

Adjournment was at 11:05 am.

Mick Thompson, Chairman

Richard Forshee

Floyd Atha

Les Rector