

MINUTES OF THE MEETING
OF THE STATE CREDIT UNION BOARD

July 18, 2003

First item in order of business: Chairman Mick Thompson called the 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, 2003. 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
Steve Rasmussen
Leslie Rector

Floyd Atha was absent.

The Chairman declared a quorum present.

Also present from the Department: Kandace Natale, Credit Union Examiner; and Debbie Moore, Secretary.

The Chairman thanked members for accommodating the change in dates for the Board Meeting.

Third item: Approval of the Minutes of the meeting held May 20, 2003.

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

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

Member Rasmussen: Seconded the motion.

Minutes were approved as follows:

Chairman Thompson - voted yes
Richard Forshee - voted yes
Steve Rasmussen - voted yes
Leslie Rector - voted yes

Fourth item: Chairman's Reports

Department Status

The Chairman discussed his state-wide tour to explain House Bill 1202 recently. Eight meetings were held throughout the state, including Oklahoma City and Tulsa. Several states have requested copies of our legislation on self-funding.

Examination Report

Bank examinations commencing during June 2003 included six (6) federal reserve banks, five (5) non-member banks, and two (2) credit unions. Also, we examined six (6) cemeteries, one (1) trust company and one (1) savings and loan.

Examinations already in process as of June 30, 2003, include ten (10) banks and one (1) credit union. Also, there were two (2) cemeteries and one (1) trust company currently being examined.

Kandace Natale, Credit Union Examiner, reported that a meeting with NCUA Regional Director Jane Walters had taken place recently in Oklahoma City.

The Legislative Report

Chairman Thompson said that in the next 30-60 days we will be looking at next year's legislative measures. Board members were asked to bring to the Chairman's attention, in the near future, any issues affecting credit unions that could be changed during the Legislative Session next year. He would be open to any changes that do not compromise the safety and soundness of state banks and credit unions.

Fifth Item: House Bill 1202

Next item for discussion was House Bill 1202, which has been signed by the Governor. It became effective on June 3, 2003. A summary of the Bill was made available to those attending the Board meeting. Then Chairman Thompson offered a brief explanation of the reason why the Oklahoma Banking Department had become self-funded.

Sixth Item: Consideration of Special Assessment

Chairman Thompson explained to the Board that if we had stayed under the present funding system, it would have resulted in the state keeping up to 32% of the assessments paid by banks and credit unions. Chairman Thompson said assets have gone up, but the assessment amounts have been lowered twice. If the assessments hadn't been lowered, the Department would have received approximately 50% in 2004 instead of 68%. The Chairman explained that while the Legislature cannot raise taxes, it can raise fees to offset the cut in income. The

Banking Department was going to have to do something, so the special assessment is being suggested.

Every year, even though the amount in the general revenue has gone up, the State has taken a larger portion from the Banking Department. House Bill 1202 takes control away from the Legislature and puts the responsibility for credit union assessments completely on the Credit Union Board. This allows the Board to set the assessments and to control what is paid. Chairman Thompson said that in March 2004, the Department will pay to the general revenue fund \$1,050,000, which will make everything revenue neutral. No money will be appropriated to the Department from July 2003 to January 2004. The Department's problem is that it will have to raise enough money for that six month period to run the agency. He said the Department will need \$2,000,000 for that six month period and this will be done through the special assessment. The Department suggests that a special assessment be set by the Board at \$.05 per \$1,000 of total assets which is allowed by HB 1202. He said the Department has come up with \$1,000,000 by not replacing three employees, not purchasing any equipment and using all revolving money. The other \$1,000,000 will come from the special assessment.

We put in the statutes that we would pay a one million dollar amount in 2004. After that, we will pay 20% of the assessments only. This would include banks as well as credit unions. In return, the Legislature gave long term control back to the Board.

Last year's total assessment for credit unions was \$374,000. The fees brought in \$38,000. Credit unions have a regular assessment rate of \$.15 per thousand.

Member Forshee asked if there is a minimum assessment. Chairman Thompson replied there is not.

Member Rasmussen asked for verification that the raise from \$500 to \$1000 last year had nothing to do with assessments. Chairman Thompson replied that was correct. It was a fee increase.

Member Rasmussen asked if there could be a second examination required because of the assessment increase? Chairman Thompson replied that the initial assessment covers the cost of the yearly examination. However, if a second or special exam was necessary in one year, then the cost would be charged to the credit union as a fee. However, the special assessment does not automatically require another examination.

Member Rector asked if the Legislature can come in at any time and increase fees. Chairman Thompson said it is not possible. They would have to pass a statute directing a change in fees for a change to take place.

Chairman Thompson passed out a chart to the Board members illustrating budget and expenditures for the year. He discussed that the special assessment was necessary to fund the Department in the period from the budget year beginning July 1, 2003 when the

Legislature would not be allocating money to the Department, to the calendar year January 2004 when fees and assessments would be assessed.

The Department has revolving funds totaling about \$1,000,000 accumulating. Thus the Department only needs to raise another \$1,000,000 by special assessments. A reserve will be built up so that another special assessment should not be necessary.

Two years ago, the Board adjusted the fees, so the ones who use additional Department services will pay more. The Chairman stated that we should be charging the credit unions according to the amount of activity they have. Then credit unions with less activity would be charged less on their assessments. We will be able to adjust fees and assessments up and down to adjust the amount of income.

He also stated that cemetery fees are not subject to being shared with the state. The Department keeps those fees. Also money order fees stay with the Department.

The Chairman introduced Rhonda Bruno, Department Budget Director, to the Board.

Member Forshee asked where the funding for the payment to the state will come from. Chairman Thompson replied that it will come from the regular assessment which is collected in January 2004. The special assessment being discussed is to manage the Department during the last six months of 2003.

Mark Kelly, President of Oklahoma Employees Credit Union, asked if the special assessment will carry on until the fund is built up. Chairman Thompson replied that it is planned to be a one-time only assessment. Thus, any future special assessments would have to be approved by the Board.

Chairman Thompson proposed October 1, 2003 as the due date for the special assessment.

Member Rasmussen moved to set a special assessment at the rate of \$.05 per \$1000 of credit union assets, to be due October 1, 2003.

Motion seconded by Member Forshee:

Chairman Thompson - voted yes
Richard Forshee - voted yes
Steve Rasmussen - voted yes
Leslie Rector - voted yes

Motion passed.

Seventh item: New Business

The photo with the Governor for the bill signing of HB 1202 is scheduled for Tuesday, July 29, 2003. It will be held in the Blue Room. All credit unions are invited to attend.

The Chairman expressed his appreciation to Amy Sparks for her efforts in promoting HB 1202 to the Legislature and in helping to get it passed.

Eighth Item: Adjournment

Member Forshee moved to adjourn.

Member Rasmussen seconded the motion.

Chairman Thompson - voted yes

Richard Forshee - voted yes

Steve Rasmussen - voted yes

Leslie Rector - voted yes

The meeting was adjourned at 10:30 a.m.

Mick Thompson, Commissioner

Steve Rasmussen

Richard Forshee

Leslie Rector