

MINUTES OF THE MEETING
OF THE STATE CREDIT UNION BOARD

May 20, 2003

First item in order of business: The Credit Union Board meeting was called to order at 10:00 a.m. pursuant to the agenda which was posted for public display prior to 10:00 a.m. on May 19, 2003. O. Dudley Gilbert, General Counsel, was designated by the Banking Commissioner to serve as chairman of the meeting in the Commissioner's absence. 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:

Floyd Atha
Richard Forshee
Steve Rasmussen
Commissioner Thompson, through designee Dudley Gilbert

Les Rector was absent.

The Chairman declared a quorum present.

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

Third item: Approval of the Minutes of the meeting held March 18, 2003.

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

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

Member Forshee: Seconded the motion.

Minutes were approved as follows:

Member Atha: yes

Member Forshee: yes

Member Rasmussen: yes

Chairman Gilbert: yes

Fourth item: Department Status

Examination Report

Bank examinations commenced during April 2003 include two federal reserve banks and three non-member banks. Also commenced were three cemetery examinations, one trust department, and two credit unions.

Examinations in process as of April 30, 2003 include five banks, one cemetery, one trust company, one trust department and two credit unions.

The Legislative Report

House Bill 1522 was signed by the Governor on May 6, 2003. That bill included several "clean-up" amendments to the banking code. It has some provisions which will help the Department as it responds to out-of-state banks or out-of-state institutions and trust companies that are coming into Oklahoma. It will require the out-of-state institutions to follow the same state regulations as our in-state institutions.

House Bill 1202 is the Banking Department's funding bill. The Department is asking to become a self-funded agency along with twenty-two of the other twenty-seven regulatory agencies. As of today, both the Senate and House committees had passed House Bill 1202. It is set to be heard on the House floor tomorrow.

If self-funding does not come about, the agency could suffer as much as ten to twelve days of furlough per employee.

Fifth Item: Consideration of the request by Oklahoma Employees Credit Union, Oklahoma City, Oklahoma to amend its bylaws: Article IV, Section 1 and Article XIII, Section 1.

Chairman Gilbert: This amendment was proposed based on an issue that arose in connection with the credit union's declaration of membership in September 2001.

In the fall of 2001 all the credit unions made a declaration of membership. The rules passed in May 2001 required each credit union to declare its field of membership and so the credit unions did that. These same rules imposed a \$400 fee for bylaw amendments but a fee was not imposed for the initial bylaw declaration because each credit union was required to make this declaration.

With respect to Oklahoma Employees Credit Union, they made a declaration of membership to retain their multiple common bond status. In their former bylaws, the credit union had a provision that restricted their membership with respect to agencies that had their own credit union. That provision was deleted when they declared their field of membership. It is the

Department's opinion that the deletion simply removed the restriction. Otherwise, it would have been an addition of five to ten thousand members, because there are many agencies that have their own credit union. So the effect of this amendment was to not only declare, but to attempt to enlarge the field of membership. But there was no application or fee for the enlargement. Chairman Gilbert stated that while the amendment was effective to remove the restriction, it was not effective to automatically add those members. Any agency that might have its own credit union could now be added because the restriction was removed. However, the addition process must follow the State Banking Department's standard select group addition process with the procedure of an application and perhaps board approval if the group was large enough.

Chairman Gilbert then stated that immediately prior to this meeting, Mark Kelly, President of Oklahoma Employees Credit Union, indicated he may want to withdraw this application. Gilbert then said that whether the amendments are made or not, the effect is the same. That is, OECU is no longer restricted as to agencies that have their own credit union; however, to serve those members, those agencies that have their own credit union must be added through the select group process.

Mark Kelly, President of Oklahoma Employees Credit Union, then made the request to withdraw consideration of the bylaw change. He stated that the amendment was initially made because of the Board's decision to no longer be concerned with issues of overlap.

Chairman Gilbert replied that the concern of the Department is not based on possible overlap. Instead, there is concern over the procedure by which thousands of potential members are added.

Chairman Gilbert then stated that Agenda Item Five was considered withdrawn from the Agenda.

Sixth item: Consideration of the request by Credit Union One of Oklahoma, Oklahoma City, Oklahoma to change its field of membership to a community field of membership serving the Oklahoma City metropolitan statistical area, and to amend its bylaws accordingly.

Dudley Gilbert noted that board member Rasmussen had pointed out to him that in the amended bylaws of Credit Union One, Article X, Section 6 restricted former employees from being eligible to serve on the board of directors of the credit union. That is not permissible under Oklahoma law. Mr. Gilbert presented a revised copy to Board members that is not red-lined but has the effect to only delete Article X, Section 6. There are other amendments within the bylaws, many of which are simply "clean up" language.

William Lavin, president of Credit Union One introduced Rollin Nash, the attorney representing Credit Union One to explain the requested changes to the bylaws. Board Member Atha questioned language in Article IV, Section 2. Did they mean to strike the entire section except the last line which reads: "Provided, that in every event the directors shall have sole and absolute discretion and authority to reject any individual's membership application."

Mr. Nash confirmed that the language is correct and that he did intend to strike the rest of Section 2 except for that sentence.

Member Atha then questioned Article IX, Section 2, the language that says “member may not borrow from the credit union when not in good standing.” He wanted to know where it contained a definition of “good standing.” Member Atha wanted to know if “good standing” was a legal term the board members should just know or if it was defined by credit union law. Dudley Gilbert replied that it is neither and there may not be a definition of “good standing” in the by-laws or in the Credit Union Act. It would leave it up to the credit union itself to determine in its own policies whether or not a member is in good standing. He suggested that the policies of the credit union not discriminate on a prohibitive basis.

Mr. Nash said the credit union considers “good standing” to mean that a member is not in default of any loans and maintains a positive account balance.

Member Atha then questioned Article XII, Section 2, the line that reads “and, by a majority vote, may call a special meeting of the shareholders to consider any violation of this law”. Member Atha wanted to know exactly what law it is referring to in that line. Mr. Nash said that it is referring to the statutes requiring an annual audit to take place. Member Atha said it did not seem to make any sense. Member Atha asked if it was legal to compensate the supervisory committee or the credit committee? Chairman Gilbert said there was not a prohibition against it. Member Atha then asked why they wouldn’t go ahead and pay the board members? Chairman Gilbert replied that the Credit Union Act prohibits compensation of board members. Mr. Nash also replied that it is an internal policy not to pay board members.

Member Atha then directed attention to page fourteen, Article XVII. The bylaw reads “For failure to file reports when due, unless excused for cause by the Bank Commissioner, the Credit Union shall become liable to a penalty fixed by the Bank Commissioner which shall not exceed five (5) dollars for each day of its delinquency.” He wanted to know if they can set their own fines. Chairman Gilbert replied that fines are set by statute and this \$5 amount is consistent with the statute. Member Atha then asked what if the statute changes? He said that language is also confusing. Mr. Nash replied that the Credit Union Board has control, so regardless of what the bylaws say, this commission could impose whatever fine it chooses to impose as long as it is within statute. Mr. Atha asked if this has always been in the bylaws of Credit Union One. Mr. Nash replied that it had. Chairman Gilbert stated that the Board could raise the charge to any amount it wanted and disregard the amount stated in the bylaws.

Member Forshee asked what state law provides when a credit union converts to a community charter. What happens to their existing select groups or common bond groups? Chairman Gilbert said that at the federal level if the credit union was multiple common bond, then only existing members of select groups will continue to be served. But select groups that fall outside the community can no longer be served. At the state level, when a credit union converts to community charter we allow the select groups of that credit union to be retained, even when they fall outside the community and we allow them to not only retain those existing members but we allow them to add any new group employees that might join.

Member Atha asked if the membership of Credit Union One voted for the change. Mr. Lavin replied that they did not. The board of directors did. Member Atha asked about the delinquency ratio. Mr. Lavin replied that this last month the delinquency ratio was .65.

Member Forshee asked Chairman Gilbert if the Department had any comment on the application. Chairman Gilbert said the application appeared to be complete. He said that after discussing the matter with the Department's credit union examiner, there were no reservations about Credit Union One converting to a community field of membership. Also, the Credit Union Examiner, Kandace Natale, was present to answer any questions. Ms. Natale agreed that the field of membership change would be a benefit to the credit union.

Member Forshee moved to approve the bylaw amendments and charter application.

Motion seconded by Member Rasmussen.

Member Atha then stated that he thought there was enough information missing in the bylaws to be an issue. However, he did not feel there was a problem in voting on the community charter. He asked if they could vote separately on the bylaw amendments and the charter application.

Chairman Gilbert then asked if he wanted to go over the bylaws again.

Member Forshee then said that the vote needed to be on both at the same time because the bylaw changes supported the change to community charter.

Mr. Nash then said that red-lined versions had been sent to all board members. All changes in bylaws had been made according to the statutes. He asked Mr. Atha for clarification on what he did not agree with. Mr. Atha suggested that if a term was used it needed to be defined. He then said that a credit union should not try to restrict the Board as to a fine. Also, if you intend to refer to an existing law, then you need to cite that law. It is confusing to read the bylaw changes as presented. Mr. Atha then said he would not object if the board proceeded to vote on both requests with one vote.

Chairman Gilbert interjected that referrals to the \$5 fine and "the law" are referrals to existing law and are within the existing bylaws. Member Atha asked when the existing bylaws were acted on by the Board. Mr. Gilbert replied that it has not been in the last 4 years he's been with the Department. Chairman Gilbert then questioned whether a credit union should have to get approval for all its bylaws each time it comes before the board.

Mr. Nash said the issues being brought up have to do with existing bylaws and have nothing to do with what Credit Union One requested to change.

Since the motion had already been made and seconded, the vote was then called by Chairman Gilbert.

Member Forshee: yes

Member Rasmussen: yes

Chairman Gilbert: yes

Member Atha: no

Motion passed.

The request by Credit Union One received a majority of votes. Thus the application for community charter was approved as were the bylaw changes.

Seventh item: New Business

There was no new business brought before the Credit Union Board.

Eighth Item: Adjournment

Member Forshee moved to adjourn.

Member Rasmussen seconded the motion.

Member Forshee: yes

Member Rasmussen: yes

Chairman Gilbert: yes

Member Atha: yes

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

Richard Forshee

Steve Rasmussen

O. Dudley Gilbert

