

**MINUTES OF THE REGULAR MEETING
OF THE STATE CREDIT UNION BOARD**

November 16, 2004

First item in order of business: Commissioner Thompson called the meeting of the State Credit Union Board to order at 10:10 a.m. pursuant to the agenda which was posted for public display prior to 10:00 a.m. on November 15, 2004. 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:

Richard Forshee
Steve Rasmussen
Floyd Atha
Les Rector
Mick Thompson, Chairman

The Chairman declared a quorum present.

Also present from the Department: Kandace Natale, Credit Union Examiner; Angela Morris, Secretary; Rhonda Bruno, Budget Director/Controller; and Dudley Gilbert, Legal Counsel.

Third item: Approval of the Minutes of the meeting held October 22, 2004.

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

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

Member Atha: Seconded the motion.

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Fourth item: Commissioner's Reports

Department Status

Chairman Thompson said he will meet this Thursday with the new Speaker designee Representative Hiatt to discuss his ideas and goals. He said he hopes to discuss who the new Chairman of the House Banking and Finance Committee is going to be. He said Senator Gumm from Durant will be the Senate Finance Committee Chairman.

Member Rasmussen said he heard the House Banking and Finance Committee chair may be Ryan Peterson?

Chairman Thompson said he has also heard his name mentioned. He said he will send an e-mail to Board members when the Chairman is decided.

Examination Report

Credit Union examinations commencing during October 2004 include one credit union and one examination still in process as of October 31, 2004.

He said Examiner Kandace Natale attended the NCUA Small Credit Union Subject Matter Expert Conference in Pittsburg (October 4-8).

Examiner Natale said examinations are on schedule.

Legislative Report

Chairman Thompson said the Department is reviewing if any changes need to be made in the Credit Union Act this legislative session. He asked Richard DeSesto of the Oklahoma Credit Union League if the League will have any changes?

Mr. DeSesto said they have some minor changes. He said there are some bills that were passed last year that reference banks and should also include credit unions. He said they would also like to see a change in a law regarding liens on vehicles that have been

Chairman Thompson said the Code states that there must be at least one Credit Union Board meeting every year. The Credit Union Board has gone from monthly meetings to every other month meetings. If you would like to have quarterly meetings, that would be acceptable. If there is a need to have a Special Meeting, the Department needs to notify the Secretary of State's office within forty-eight hours.

Member Forshee asked how many meetings there were this year?

Mr. Gilbert said there were six meetings this year. Two of those were Special Meetings and two Regular Meetings were canceled. Only four Regular Meetings were held this year. He said by December 15, the Department has to notify the Secretary of State of the dates for the upcoming year for the State Credit Union Board.

Member Forshee made the motion to have State Credit Union Board Meetings the middle month of each quarter (February, May, August, and November).

Member Rector: Seconded the motion.

Richard Forshee - voted yes
Steve Rasmussen - voted yes
Floyd Atha - voted yes
Les Rector - voted yes
Chairman Thompson - voted yes

Motion passed.

Chairman Thompson asked if the day of the week or time needs to be changed. All Board members agreed to continue having the regular meetings on the third Tuesday of the month at 10:00.

Sixth item: Consideration and prescription of the rate of credit union assessments for Oklahoma chartered credit unions existing as of December 31, 2004, calculated on institution assets as of December 31, 2004, pursuant to Title 6 O.S. § 2001.2 and O.A.C. 180:10-1-14.

Chairman Thompson said the Department is still trying to fine tune everything since becoming self-funded. The State is going to a new computer system which will combine accounts, integrates leave and payroll. He said the good thing is the Department now has control of

itself. For example, last year fees on cemeteries were raised. Money order fees and trust company (fiduciary assets) fees may be raised soon. He said all areas are going to be looked at. He said the Reserve Account dollars have not been calculated yet. He said he believes there needs to be at least six months to a year in reserve money in case any large institutions are lost. He estimated that at least \$2.5 million is needed.

Member Atha asked if this information is for this year or next year?

Ms. Bruno said the information is estimates for 2005.

Chairman Thompson said assessments for credit unions haven't been changed in eight years. Approximately three or four years ago, the Department met with the Oklahoma Credit Union League and came up with a fee schedule for applications, etc. to help generate income. Last year total for the entire year was less than \$6,000.00. Since July of this year, only \$810.00 has been raised. The fee structure intended to generate income, didn't work out as planned - primarily because most of the large credit unions converted to community fields of membership and no longer filed individual applications. He said credit union assessments have been at 15 cents per \$1,000 for eight years. The 2005 Estimated Assessment chart in the Board packets shows what was totally brought in minus the 20% put into general revenue fund. What the Department actually received was \$364,000 out of \$449,000. Chairman Thompson said the chart shows what assessments would be at 15, 17, and 19 cents per \$1,000. He told the Board that it could keep the same rate, raise it, or even lower it. He said if growth continues as it is and reserves get built up, hopefully assessments can be reduced in the next few years. He said two bank conversions have been completed. These conversions will help with the loss of Local Oklahoma Bank and Gold Bank. He said \$54,000 in fees came in last month alone for bank fees.

Member Rasmussen asked if this information includes the \$1,000 operating fee?

Chairman Thompson said yes.

Mark Kelly asked if a fee for the most recent credit union merger was assessed?

Mr. Gilbert said there is a merger fee.

Member Atha asked if it is \$800?

Mr. Gilbert said one merger fee was waived by the Board back in February. He said he doesn't know if the merger fee for H.C. Employees C.U. F.O.I. Oklahoma City is reflected in

Member Forshee said if raised to 17 cents, this wouldn't get the Department to the \$419,000?

Chairman Thompson said that is correct.

Chairman Thompson said the Department just finished an audit with the Auditor and Inspectors Office and everything was acceptable.

Member Forshee said he would like to hear from other Board members since he is the only one that is not affiliated with a credit union.

Member Atha said that while he hates to admit it, credit unions have had eight years of being cheap and the Board needs to raise the assessment fee.

Member Rector said that small credit unions need to be protected.

Member Rasmussen asked if the Department would be comfortable this time next year with their operating fees?

Chairman Thompson said with growth continuing as it is, as long as no large banks leave, and with the number wanting to convert to a state charter, the Department should be comfortable by this time next year if not before. He said if an increase is advised this year, there should not be an increase next year regardless of where the Department is. The Department also absorbed the cost of not replacing a Credit Union Administrator and less examination staff.

Member Rector asked if assets will be based on figures as of December, 2004?

Chairman Thompson said that is correct.

Member Atha asked if levels of salaries are competitive for examiners?

Chairman Thompson said at the state level, the Department pays more than other state agencies. At the federal level, it is competitive.

Member Atha made the motion to prescribe the rate of assessments for credit unions with total assets of \$35 million or less to be \$.15 per \$1,000 of the credit union's total assets, as of December 31, 2004; and for credit unions with total assets exceeding \$35 million, an assessment rate of \$.19 per \$1,000 of the credit union's total assets, as of December 31, 2004.

Motion passed.

Chairman Thompson said Ms. Bruno will send budget information to Board members even though meetings will now be quarterly.

Member Atha said the level of personnel expertise has improved since Chairman Thompson came to the Department.

Chairman Thompson asked if there was any new business to come before the Board. Mr. Gilbert said at the September Credit Union Board meeting US Employees OC Federal Credit Union's conversion was approved, but that credit union is still waiting on NCUA approval. There may be a special meeting in December to finalize this conversion.

Mr. Gilbert said the Department received a merger application today from Howard Sissel at Cherokee Strip Credit Union, Ponca City, to merge PCD Bell FCU, Ponca City, into Cherokee Strip Credit Union. He said PCD Bell, FCU, is currently being operated out of a kitchen. The Manager of this credit union is wanting to retire. NCUA approval has been granted. This could also be on a December Special Meeting.

Member Atha asked if Les Rector could attend meetings via telephone?

Mr. Gilbert said no. The Open Meetings Act requires in-person attendance.

Chairman Thompson said he met with Derron Dutton and Jeff Steele of the NCUA. He explained to them that the Department is the chartering authority of state credit unions and they are the insurer.

Member Rector said he spoke with Don Stivers and he was very complimentary of state examiners, but not NCUA examiners.

Seventh item: Adjournment

Member Rasmussen: Moved to adjourn.

Member Atha: Seconded the motion.

Richard Forshee - voted yes

Floyd Atha

Richard Forshee

Steve Rasmussen

Les Rector

Mick Thompson, Chairman