

**REGULAR STATE CREDIT UNION BOARD MEETING
HELD BY CONFERENCE CALL
OFFICE OF THE COMMISSIONER
DEPARTMENT OF FINANCIAL INSTITUTIONS
2000 SCHAFFER STREET, SUITE G
BISMARCK, NORTH DAKOTA**

December 5, 2008

The regular meeting of the State Credit Union Board was called to order by Chairman Karsky in the Office of the Commissioner, Department of Financial Institutions, 2000 Schafer Street, Suite G, Bismarck, North Dakota, at 10:34 a.m., Friday, December 5, 2008.

MEMBERS PRESENT: Timothy J. Karsky, Chairman (*Fargo*)
Paul Brucker, Member (*Office*)
Melanie Stillwell, Member (*Williston*)
Steve Tonneson, Member (*Minot*)
Darlene Watne, Member (*Minot*)

MEMBERS ABSENT: None

ALSO PRESENT: Robert J. Entringer, Assistant Commissioner (*Office*)
Corey Krebs, Chief Examiner – Credit Unions (*Office*)
Todd Van Orman, Financial Institutions Examiner (*Office*)
Suzette Richardson, Administrative Assistant (*Office*)
Aaron Webb, Assistant Attorney General (*Office*)

MINUTES PREVIOUSLY APPROVED BY MAIL

Chairman Karsky indicated the Board had previously received and approved the minutes of the regular meeting held on September 12, 2008.

**PROPOSED RULE CHANGE – NORTH DAKOTA ADMINISTRATIVE
CODE SECTION 13-03-23**

Assistant Commissioner Entringer indicated the public hearing regarding the proposed rule change to Section 13-03-23 of the North Dakota Administrative

Code was held in the Conference Room of the Department of Financial Institutions at 9:30 a.m., November 17, 2008; however, no one appeared at the hearing. Assistant Commissioner Entringer indicated the Board members should have received two letters in opposition of the proposed rule change from the Independent Community Banks of North Dakota and the North Dakota Bankers Association.

Assistant Commissioner Entringer read the email Chairman Karsky received on November 26, 2008, from Darrell Olson, President of Town and Country Credit Union, Minot, wherein he inquires what type of comments the Department had received regarding the proposed rule, and essentially when he could go ahead and purchase the existing business that offers appraisals, brokerage services, and farm management.

Member Brucker asked if the public received adequate notice of the proposed rule. Assistant Commissioner Entringer indicated the full notice was mailed to all required parties on September 18, 2008; the abbreviated notice was sent for publication in each official county newspaper on September 17, 2008; and the hearing was held on November 17, 2008.

Chairman Karsky indicated it is the decision of the State Credit Union Board on whether to proceed or withdraw the proposed amendment to the rule.

Member Watne referred to the letters of opposition received from the North Dakota Bankers Association and the Independent Community Banks of North Dakota which both indicate the proposed amendment could bring about more risk at a time the economy is already suffering.

Chairman Karsky indicated he feels this proposal could result in conflicts of interest, and that he does not believe a credit union should have the option to perform its own certified appraisals.

Member Brucker indicated he feels it is a major indication that no support was received regarding this proposed amendment, especially since the credit union requesting this change did not submit oral or written comments in support or appear at the hearing.

Member Stillwell indicated she feels if Town and Country Credit Union, Minot, feels this is an important and necessary change it should have provided comments in support of the proposal.

Member Brucker pointed out that counsel for Town and Country Credit Union, Minot, did not provide comments in support of the proposed amendment.

Member Tonneson asked if the proposed amendment would allow Town and Country Credit Union to offer this service to anyone in the area or only its current membership. Assistant Commissioner Entringer indicated it would be available to anyone in the area.

Chairman Karsky pointed out options available for the State Credit Union Board at this time are: approve the activity, address the letters of opposition, and possibly withdraw the proposed amendment to the rule.

Member Tonneson referred to the statement in the letter received from the Independent Community Banks of North Dakota indicating that the State Credit Union Board does not appear to have the authority to supervise a CUSO, and questioned whether this is a correct statement. Chairman Karsky stated the State Credit Union Board does not have specific authority over a CUSO; however, the credit union examiners do look at loans made by the CUSO, and does have the power to regulate the loans made and bought by a credit union.

Chief Examiner Krebs added the way the regulation reads is that the Department regulates investment in and structure of a CUSO so that a credit union's loss exposure is limited to the investment in the CUSO. Chief Examiner Krebs added any assets transferred back in the credit union's name or any work product that was used to generate a loan would be regulated by the Department. Chief Examiner Krebs concluded that any appraisal that was generated at the CUSO level for a loan held at the credit union would be regulated by the Department.

Member Watne questioned whether there is an agency that would regulate the case of an appraisal for other property which is made by an appraiser employed by a credit union if something goes wrong in the process. Assistant Commissioner Entringer indicated this situation would come under investigation of the North Dakota Appraisal Board. Member Watne indicated she believes all appraisers have to carry independent insurance, such as errors and omissions. Chairman Karsky added if an appraiser was an employee of the credit union, this appraiser would be covered under the credit union's bond.

Member Tonneson asked what the process will be if the Board approves the proposed amendment to the rule. Assistant Commissioner Entringer indicated if

the proposed changes are approved by the State Credit Union Board the proposed rule will be submitted to the Attorney General's Office for comment and approval/disapproval, and if approved will then be forwarded to the Legislative Council for final action.

Member Brucker asked if the Department is proposing a recommendation on this proposed amendment, and Chairman Karsky stated it is the Department's recommendation to withdraw this amendment.

It was moved by Member Watne and seconded by Member Brucker that the State Credit Union Board not proceed with the process to approve the amendment to Section 13-03-23 of the North Dakota Administrative Code due to a lack of support for the amendment.

Member Brucker stated he has supported this proposed amendment from the beginning; however, is concerned there was no support from the credit union industry and therefore questioned why this is going forward.

Member Watne agreed with the statements of Member Brucker. Member Stillwell reiterated there are tough times at present, more regulations are being enforced, and approval of this proposed amendment could promote more risk. Member Stillwell continued that she was not initially opposed to this; however, there does not appear to be any support for this proposal.

There was further discussion by the members of the State Credit Union Board regarding the lack of support regarding this proposed amendment, as well as the possible risk increase that could result from the approval of this amendment.

Member Tonneson asked if anyone other than Town and Country Credit Union, Minot, has expressed being in favor of this proposal, and Chairman Karsky indicated no.

Chairman Karsky indicated for the record that even if a letter of support for the proposed amendment had been received by Town and Country Credit Union, Minot, he would still have a concern with the conflict of interest.

The above motion was unanimously carried.

Chairman Karsky indicated Assistant Commissioner Entringer will contact Darrell Olson, President of Town and Country Credit Union, Minot, to inform him of the Board's action.

MEETING DATES FOR 2009

Assistant Commissioner Entringer indicated the meeting dates proposed in the Board's agenda fall on the first Friday of the last month of each quarter. It was the consensus of the Board to accept the meeting dates as proposed in the agenda: March 6, June 5, September 4, and December 4, 2009. Assistant Commissioner Entringer indicated the Department will submit these proposed dates to the Secretary of State's Office as required.

BOARD MINUTES

Assistant Commissioner Entringer explained that Suzette Richardson, Administrative Assistant, will attend both the State Credit Union Board and State Banking Board meetings and draft the minutes to send out for approval. Assistant Commissioner Entringer indicated he will remain Secretary of both Boards and Ms. Richardson will essentially be the recording secretary for both Boards.

The Board went into closed session at 11:04 a.m.

Timothy J. Karsky, Chairman

Robert J. Entringer, Secretary