

MEETING OF THE BOARD OF CREDIT UNION ADVISORS

April 8, 2014

1:00 pm

Utah Department of Financial Institutions
324 South State Street, Suite 201
Salt Lake City Utah

Minutes

BOARD MEMBERS PRESENT:

Dean Hirabayashi.

DEPARTMENT OF FINANCIAL INSTITUTIONS STAFF PRESENT:

Ed Leary, Orla Beth Peck, Paul Allred, and Merisa Lanford

1. Call meeting to order – Dean Hirabayashi

2. Minutes

A quorum was not present. The approval of October 8, 2013 and January 13, 2014 minutes was postponed until the next meeting.

3. Legislative Session-Paul Allred

Paul said that they monitored several bills during the session but he is only going to talk about the ones that directly impact the department.

Senate Bill 124-Financial Institutions Amendments Bill. This bill was to update some of the provisions in Title 7, Title 70C and Title 70D. The only thing in the bill that was controversial was a change to 7-1-701 which is the code section that deals with authorization to transact business and the use of the terms “bank”, “credit union” and “industrial bank”. Orla Beth pointed out that the League of Credit Unions had changed its name but in that section of the code it still referred to it as The Credit Union League. It was purposed to change that to the Utah Credit Union Association. However, it was pointed out that there is a provision in law that states that when a general term can be used rather than specific the general term should be used. The term needed to be changed to something like “a bona-fide

association authorized to represent credit unions”. When that was presented it was pointed out that it still said Utah Banker’s Association. That was changed to a general term. The bill passed and will go into effect on May 14, 2014.

There was also an adjustment made to the annual fees charged to the depository institutions. Michael Jones, the Chief Examiner, ran several different scenarios to see how it would work out to decrease fees. The department’s restricted account balance has been going up since the last fee increase in 2006. It was determined that the fees could drop back to the 2006 fees. Representative Dunnigan agreed to sponsor House Bill 316 to reduce fee rate. The bill passed and will take effect May 14, 2014. The change only affects the top tier institutions. Credit unions over 5 million will see a reduction on the July fees.

Another bill was brought about because a constituent was concerned about student loans. Senate Bill 170 purposed to reduce the student loan garnishment cap from 25% to 15%. The bill passed.

House Bill 127 was the Payday Loan bill that purposed amendments to Chapter 23. It addressed prohibiting lenders from changing where they could bring a lawsuit against a borrower. Right now under the law the suit has to be brought either where the contract is entered or where the borrower resides. Some of the lenders where changing that in their contracts.

House Bill 47 purposed a data base that would have required the department to maintain a database tracking every loan that was being made to borrowers and limiting their loans to one at a time. DFI opposed this bill because of security reasons. Representative Dunnigan’s House Bill 127 offered an alternative to the database. That bill put in protection for consumers, giving them 60 days to repay the debt at the end of the 10 week rollover period before the company can bring a lawsuit against them. The bill also required underwriting to determine if the borrower can repay the debt. House Bill 127 did pass and House Bill 47 did not.

The Legislature puts together a Master Study Resolution of items that did not pass during the session but that they want studied during the interim between sessions. That is SJR 20 and it has several items related to entities that the department regulates. There is a deferred deposit lending item and one to study prudent banking.

Paul also mentioned House Bill 117 regarding patent trolls. These patent trolls are sending out letters to depository institutions saying that they have to pay to use office equipment (ATM's, etc.) because they are using their patent. The bill is to limit the ability of the patent trolls to do that. The bill passed.

4. Examiner Focus-Orla Beth Peck

Orla Beth handed out three packets from the NCUA/NASCUS Regulators National Meeting. IRR Exposure is High, NCUA Focus 2014 and Cybersecurity Framework. The number one thing they were concerned about was Interest Rate Risk. They were also concerned with cybersecurity and mentioned that Windows XP is no longer supported and most ATMs run on XP. That opens up the possibility of viruses on ATMs. Orla Beth then went over the items on all three of the handouts.

Orla Beth mentioned that there are some credit unions buying up all the indirect auto lending. A discussion ensued regarding dealers persuading credit union members to go one way or the other. Dean said that the tactics are questionable. Orla Beth mentioned that the rates are significantly low and Dean mentioned that the large credit unions have whole departments working with indirect resources.

Dean asked if the state concerns were the same as the NCUA concerns and Orla Beth said that they are. They are definitely concerned about cybersecurity. Orla Beth said NCUA rule 7-48 lays out the steps that need to be in a cybersecurity plan.

5. Supplemental Capital

Orla Beth said she didn't have anything new on supplemental capital. Dean asked where the NCUA is headed with it. Orla Beth said that it's not for everyone because it is expensive and the capital you build in house is free money to loan out. She said in some situations supplemental capital could be helpful to small community credit unions that have a specific need to build capital. Another thing that supplemental capital could be used for would be to start a community credit union in a town without a locally owned financial institution. Right now NCUA requires that capital is donated, which may be one of the reason that we aren't seeing new credit unions being started.

6. CALL Reports

Dean asked if there have been any issues with CALL Reports being late. Orla Beth said she hasn't had any credit unions turn them in after the final deadline. She said that the NCUA is getting down on everyone because some of the federal credit unions are turning them in several weeks late. The NCUA is going to start fining credit union if they do not have the report in when they are due. They did not assess the fine in March but they will assess the fines beginning on the June cycle. The NCUA will also monitor the amount of changes being made after the report has been submitted.

7. Other Business

Dean said he found it interesting that NASCUS discussed expanding the NCUA Board from three to five members with a designated seat for a former state regulator. Orla Beth said the NCUA is not excited about that but all of the other federal regulators have a five member board.

8. Next Meeting-July 15, 2014

9. Adjourn