

MEETING OF THE BOARD OF FINANCIAL INSTITUTIONS

December 18, 2014

11:30 a.m.

Minutes

BOARD MEMBERS PRESENT:

Rick Beard, Dennis Hymas, Louise Kelly, Kip Cashmore, and Commissioner Ed Leary. Bill Tingey is excused.

DEPARTMENT OF FINANCIAL INSTITUTIONS STAFF PRESENT:

Michael Jones, Darryle Rude, Paul Allred, and Sonja Long

1. Call Meeting to Order – Commissioner Leary

2. Minutes –

One correction on page two, CUNA Mutual group's new President/CEO's last name is Nussle. With that correction, Rick Beard made a motion to accept the minutes, Kip Cashmore seconded the motion. It was unanimous.

3. Industry update –

Rick Beard – Stan Ivie with the FDIC invited seven banks to meet with Marty Grunberg in San Francisco. It was an interesting day. Rick raised Cyber Security with them. He is concerned on bank examiners learning about cyber security so they can make sure that the institutions they examine are covered in that area. What resources are available to the institutions for this area? The other bankers were concerned as well as Chairman Grunberg. Other than that the industry is doing good.

Louise Kelly – Utah's newest Congressional Representative will be on the House Financial Services Committee. That will be good for the industry. Another issue that keeps coming up again is the FDIC's lack of response. It's not just de novo applications that aren't being processed; it seems to be going further now. Other requests for action aren't moving. The regional office doesn't seem to have any authority to act on requests. Commissioner Leary confirmed that our office is aware of the challenge.

Kip Cashmore – Kip gave out a handout on a new study on payday lending. It shows that payday loans actually help the consumer. Utah contributed information to the study. It shows that if the consumer can have the loan for longer, it actually helps to raise their FICO score. It shows

that most consumers are using the loans for debt that they already have, not new debt. There is still no rule from CFPB. Kip mentioned that they put together a lawsuit and sued the FDIC, OCC, the Treasury for Operation Chokepoint.

Dennis Hymas – Data breaches are a problem for them. NCUA and some other entities are looking for some merchant accountability. 60 Minutes recently did a segment on data breaches. In January the NCUA will re-issue their proposed risk based capital rule. The interest rate risk is some what separated from the regular rule. There will be a 90 day comment period. Credit Union Leagues throughout the country have been merging. Utah’s league doesn’t have any interest in merging. Another thing he has noticed, they have seen something come up as a potential competitor, person-to-person lending program. One of his officers actually joined a group that does that. He pulled a report recently that showed that there has been \$6 billion loaned through person-to-person lending programs. The rates are good, it is all electronic, and it is easy. And there is no regulation for this.

4. Legislative preview – Paul Allred

Paul gave a handout on the Department’s bill. He has never passed out a summary of our bill prior to the Legislative session. We have a deadline of December 1 to submit a bill request file with the Legislature. When we do that it is confidential until it gets out and becomes public during the session. In October, Commissioner Leary and Paul visited with Senator Bramble to discuss what we wanted to do during the Legislative session and gave him something similar to this handout. We left it with him, it was during an interim committee meeting for the Business Labor Committee and he presented the bill request to the committee. He asked that it become a committee bill asked that it be put on the next committee meeting agenda in November. We have never had a department bill that is being considered before the session began. The bill was unanimously passed out as a committee bill on November 19. This means that it will be ready for floor discussion during the first couple of weeks of the session. Paul went through what the bill does. It is numbered already, SB 24. We don’t have any details on anything else that is being worked on this session.

5. Budget review – Michael Jones

Michael gave out his budget handout. He went through the handout. There has not been a lot of activity. He added the FY 2016 requested amount. He also mentioned that we have re-negotiated our lease, so the cost goes up just a little bit.

6. Out of State Travel – Michael Jones

He gave out the out of state travel summary. The new or changed items are bolded. He went through the few things that are new. There was a discussion on the extended CSBS project that we have had an examiner working on. Someone asked if ApplePay has registered with the Department. Paul Allred said that he would have to look into if they are considered a Money Transmitter or just a facilitator. Kip Cashmore asked if payment processors are regulated by the Department, Paul said no they are not, unless they engage in money transmission. Sending money from one entity to another is considered money transmission, but a lot of processors just

provide the system or electronic rails for that to occur. Kip asked if we do anything with CFPB. Commissioner Leary said that yes, we have done more previously when they were first starting out. Most recently we have been working with them on non-depository things. We have done a few multi-state exams that CFPB is involved with. He asked if we think that will grow over time. Commissioner Leary said yes, especially in the money transmitter area and mortgage servicers. Darryle Rude mentioned meeting with them recently in Washington DC and talking about access to their complaint portal so that we can see what comes in about our institutions. Louise Kelly asked if consumer finance companies come up in the conversations with CFPB. Commissioner Leary said that while they do fall under CFPB he thinks that they have so much on their plate right now that they haven't chosen to start in that area. Louise said that they have some strong competition from consumer lenders.

7. Current topics – Commissioner Leary

During the summer we tried to hire six examiners for the vacant positions that we have. We offered to six and got three to come on board. We will start that process again. Probably with the economy today, we didn't get the numbers that we usually do.

The department has had an off-site data provider that helps us with the analysis of CALL Report data. That service has been bought and has notified us that they will no longer be providing that information. We are currently looking for a new provider. We have looked at one company, but their fees were astronomical. We have been talking to them and they have reduced their fees that are acceptable for the next three years.

We have finished our CSBS five year re-accreditation. We will start the NASCUS re-accreditation on site in January. Rick Beard asked what would happen if we didn't get re-accredited, Commissioner Leary said that some of the Federal agencies may not rely on our exams because we didn't go through the process.

Louise Kelly asked about the CSBS Director's training. It is usually held in September or early October.

8. Other business –

9. Next meeting – March 19, 2015 at 11:30 a.m.