

# MEETING OF THE BOARD OF CREDIT UNION ADVISORS

April 23, 2015

1:00pm

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

## Minutes

### **Board Members Present:**

Scot Baumgartner, Kent Greenfield, Meagan Nattress and Ilene Rollo  
Dean Hirabatashi (excused)

### **Department of Financial Institutions Staff Present:**

Riley Bergstedt, Ed Leary, Darryle Rude and Emily Stanton

### **Others Present:**

Thomas Gourdin from Firefighters Credit Union, Heather Line and Stephen Nelson from Utah Credit Union Association

- 1. Call meeting to order** – Scot Baumgartner
- 2. Minutes** – Meeting Minutes from January 20, 2015. Typo on page 4, “grope” should be “group.” Ilene made the motion to accept the minutes with that adjustment. Meagan seconded the motion. Motion passes.
- 3. Introductions** – Emily Stanton is the new Administrative Secretary.
- 4. Utah Code 7-9-43, Board of Credit Union Advisors** – Riley Bergstedt  
Riley wants to review the purpose and expectations for this board. Section 7-9-43 of the Utah Code is what establishes board. UCA § 7-9-43: *“The advisory board has the duty to advise the governor and commissioner on problems relating to credit unions and to foster the interest and cooperation of credit unions in the improvement of their services to the people of the state.”* Part of what Riley sees this board doing is acting as an open forum, where issues and ideas can be brought to the department in a semi-formal venue. This is the industry’s opportunity to participate and communicate both positive and negative

feedback. This is your board to advise the department and have an open dialog with the supervisor of Credit Unions. He'd like these meetings to be more of a two way street.

Riley asked for thoughts regarding the advisory board, specifically what he can do to encourage more involvement and make this a meeting where people know they have a voice and are comfortable coming.

Heather commented that she and Stephen could help with reaching out to other state chartered credit unions.

Scot asked how can we communicate with the state chartered credit unions about the issues that we're discussing here in this meeting and getting feedback from those individual credit unions in relationship to, how can we as board members bring issues back from the credit unions to this meeting.

Riley clarified that the minutes from these meetings are sent out to the presidents of all the state chartered credit unions. This is a public meeting, with an agenda that is posted in advance of when the meeting is held. Riley would like to see more credit union presidents in attendance and increased participation. Communication through members of the board regarding topics of interest is encouraged, and everyone is welcome to email agenda items or matters for discussion to Riley Bergstedt or Emily Stanton.

A discussion was had concerning the rookie status of many of the examiners and some feedback about recent exams was shared. The department is now fully staffed with 41 examiners, 17 of them having 3 years or less with the department. Many of the new examiners are preparing for NCUA training classes, but need experience on exams before attending the training. The feedback from the board centered on three things: The depth of the exams, the need for communication throughout the examination process, and the amount of time the examiners are spending in the institutions and the impact their presence had on operations.

The importance of the Credit Unions taking a proactive approach to managing the exam was addressed and ideas for making the exam process a positive experience were shared. Thomas commented about preparing for the exam, taking an active role, and managing the perception of examiners. From the credit unions perspective, if we know what level of push back the examiners are comfortable with, we can be upfront with them. Heather mentioned the "*Exam Bill of Rights*" published by CUNA.

Heather talked about exam management and how credit unions need to be more involved with their examiners and help create an interactive exam process, so that small things can be corrected even before they make it onto the exam report.

Darryle and Riley responded. The department wants to hear this feedback and we are committed to the continued training and coaching of examiners. We will focus on emphasizing the importance of keeping an open channel of communication throughout the exam process and making the list of Technical Exceptions available as soon as possible. Examiners have been told very specifically to not camp out, and will be reminded again of the importance of an efficient use of their time while on location. Examiner etiquette and their behavior throughout the exam will be addressed and remain a focus as they continue their training. Additionally, Riley will review the “*Exam Bill of Rights*” published by CUNA.

**5. Accreditation Results – Riley Bergstedt**

NASCUS completed their exam of the department. We have been reaccredited for another five year term. Accreditation is an important goal of the department. The process helps ensure we are operating at the level the other states are. Having our policies and procedures reviewed and benchmarked against those of other departments gives us an external perspective from people knowledgeable about credit union regulation and examination. The process helps us learn and keep up with current practices throughout the industry.

**6. NCUA/NASCUS Conference – Orlando – Riley Bergstedt**

Interest Rate Risk and Cyber Security still very hot topics. Regarding Cyber Security, Scot commented that there is no question that it is needed and necessary, it's to what extent that individual credit unions have to do for their size.

Commissioner Leary commented, referring to the little credit unions and how much they have to do and what is appropriate for their size, there are guidelines, but no solid answers.

**7. Contingency Planning – Disaster Recovery Plan – Riley Bergstedt**

The importance of having an established business continuity plan was discussed. Questions to ask your organization; In the event of an emergency would you be able to continue operations? Does everyone know how to locate and implement the plan? It's essential to have these plans in place and to review and update them often.

**8. Cross Training – Riley Bergstedt**

A brief discussion was had regarding cross training. Recommendation for everyone to make sure there is more than one individual trained to handle things like call reports. In the event of a key individual becoming incapacitated, you will still have a backup who has been cross trained, the call report can be submitted on time and your organization can avoid fees.

## **9. Commissioner Comments – Commissioner Ed Leary**

Commissioner Leary commented on the department's continued commitment to cyber security and opened the floor for questions.

Steve asked for the department's opinion regarding the newest risk based capital proposal. CUNA is referring to it as "RBC2." Riley responded. He would like to get up to speed before commenting. We will add risk based capital to the agenda for the next meeting and he will comment and open the topic up discussion at that time.

Ilene brought a handout, from The Financial Brand. "*Credit Union Industry Outlook: 5 Years Back, 20 Years Forward.*" The Financial Brand examined asset, member and branch trends in the credit union industry for the years of 2007 through 2012. The study revealed a series of massive shifts with serious strategic implications for credit unions of all sizes. The big are getting bigger, while small credit unions are shrinking. The article states, "*If current trends hold, half the credit unions around today will be gone in the next 20 years.*"

Ilene asked if we are losing state chartered credit unions as well and if this is a trend the department is aware of.

Commissioner Leary responded, the general trend is true, and it is also true in banking and in many other industries. Smaller institutions are going away. However, the article assumes these numbers will extrapolate out to the extreme, the trends are there, but I do not believe these numbers will be accurate 20 years from now because you cannot factor in the way people will react, adapt and adjust.

## **10. Next Meeting – July 16, 2015**

Riley encouraged everyone on the board to reach out to the state chartered credit union presidents and let them know this their voice with our department.

## **11. Meeting Adjourned**