

MEETING OF THE BOARD OF CREDIT UNION ADVISORS

October 15, 2015

1:00pm

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

Minutes

Board Members Present:

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

Department of Financial Institutions Staff Present:

Ed Leary, Darryle Rude, Riley Bergstedt, and Emily Stanton

Others present:

Thomas Gourdin, Firefighters Credit Union; Heather Line, Utah Credit Union Association; and Bret Rigby, TransWest Credit Union

1. Call meeting to order – Dean Hirabayashi

2. Minutes

Dean Hirabayashi's last name has been misspelled on the last two sets of meeting minutes. Scot Baumgartner made the motion to accept the minutes with that correction. Kent Greenfield seconded the motion. Motion passes.

3. Compliance Reviews on Credit Union Exams – Eva Rees

In an effort to help the state credit unions the Department will be sending a compliance specialist along on the regularly scheduled safety and soundness exams. The compliance specialist will review some of the primary regulations based on your business model and make recommendations. The focus will be on consumer protection regulations. We will be conducting these reviews with the intent to help credit unions understand what they can do to improve compliance. There may be a comment in the report, but these reviews are not meant to be a "gotcha." We are hoping this can be a teaching experience; we want this to be helpful. Eva

suggested that if you have any compliance questions, write them down and be sure to have a conversation with that compliance specialist while they are in your institution.

There was discussion about TRID and the difficulties credits unions may have adjusting to the changes.

4. Appeal Process for Credit Unions – Riley Bergstedt

This is a brief follow-up from the meeting in July. In the email containing the minutes from the July 16th meeting the Department asked very specifically if the credit unions would like to see something more formal in the transmittal letter instructing institutions to contact Riley directly with any questions or concerns regarding their exams. The Department received no response back. Moving forward, Riley is going to assume that credit unions know they can contact him directly.

There was a discussion about exam management and the importance of communication from both institution and examiners throughout the exam. Heather Line commented that having communication early and often was the key to having a positive exam experience. Riley reiterated that training is ongoing with all of our staff and we will continue to encourage examiners to communicate throughout the entire exam process.

5. FFIEC Releases Cybersecurity Assessment Tool – Riley Bergstedt

FFIEC rolled out a new Cybersecurity tool. Riley wants to make sure all the credit unions are aware of this tool and where to find it. Riley gave a handout of the overview. A PDF of the overview handout will be included with the minutes from this meeting along with a direct link to help credit unions access the tool. You don't have to use this tool, but you should be using some tool to assess your risk and identify areas you could improve to help protect your members.

Andrea Staheli, Supervisor of Holding Companies and Information Technology, has been invited to the next Credit Union Advisors meeting and will go over this with greater detail. We are hoping that by that point we will have a better understanding of how to implement this tool in credit unions and also how the NCUA will address this.

There was a discussion about a collaborative event hosted by the Utah Credit Union Association where the Department sends one of our IT specialists to provide training and answer questions regarding the FFIEC Cybersecurity Assessment Tool.

6. Commissioner Comments – Commissioner Leary

Commissioner Leary thanked everyone for their participation at the meeting.

One of our objectives to have this be a fully functional board and make the time you spend with us useful. We want the credit unions to be informed. We look to this board for feedback and as a sounding board for issues. This is a public meeting, anyone and everyone is invited; the more that attend the better the meeting can be.

A. Legislative Audit

If you like a sense of fair play, our Department is being audited too. Auditors from the Office of the Legislative Auditor General have been in our office for two and a half months and will continue to be in our office for the foreseeable future.

Every 10 years our Department is supposed to undergo a full performance audit to see how we are operating according to what the statute says. However this is a separate audit; this is a targeted review of the Department's administration, supervision and regulation of payday lending.

B. Center for Innovation in Banking and Financial Services Lassonde Studios and the Pierre Lassonde Institute

There has been a request from the industrial bank industry and the bank industry that the Department fund a program through the Center for Innovation in Banking and Financial Services at the Lassonde Institute at the David Eccles School of Business at the University of Utah.

From our restricted fund, the Department will give \$300,000 per year, beginning next fiscal year, for three successive years to the Center. \$900,000 total in \$300,000 increments.

Commissioner Leary felt it was important to bring this up at the meeting because the funds are from the institutions we regulate, including credit unions. Pursuant to the authority of Utah Code Ann. §7-1-403(3) The Reserve Account or "restricted fund" is held for the purposes of general government, administration, reorganization and liquidation costs; but monies may also be used to promote, protect, and encourage the dual banking system and state-chartered institutions.

The proposal has been recommended by Commissioner Leary and approved by the Board of Financial Institutions; they have endorsed it with some conditions and it's been delivered to the Director of Finance. The ultimate goal is to have a contract that everyone is comfortable with. The University's lawyers are currently reviewing the service contract.

The contract is written very precisely, the University of Utah and the Center have a lot of things they will have to produce to receive these funds.

Bret Rigby asked how credit unions can be involved.

Commissioner Leary gave details about the Executive Advisory Committee and the different representatives that will be included; there will be a Credit Union Representative on the Center's Advisory Board.

C. Upcoming Legislative Session – Technical Bill

This is likely to be a lighter year for things the Department is pushing. There may be a new technical bill. The bill would clarify our authority with regard to technology services providers; if they are providing service to one of our institutions, we clearly have the authority to go in and review. We want to make sure that we have documented specific authority to go in and review if we needed to.

7. Other Items

A. Darryle Rude – Concentrations and EMV Chip Cards

Darryle talked about some of the concentrations the Department will be looking at; including member business lending, mortgages and interest rate risk. Don't be surprised if examiners are looking a little deeper into some specific areas.

EMV Chips Cards. If you are issuing debit or credit cards the vendors are to provide you with those services, you may have an option where you elect or require the vendor to provide those chip cards to your members.

At this time, these chip cards are the most secure device to protect consumers from fraud and we encourage you to move in that direction and push the card vendors to do the same.

B. Scot Baumgartner

Scot wanted everyone to be aware of some counterfeit checks that are circulating around drawn on his institution. A copy of their check was reprinted on check stock, Murray was incorrectly spelled as "Murray," and more than 50 checks have been issued for Craigslist purchases all dated September 22, 2015.

There was a discussion about wire fraud, both Craigslist and KSL scams, and other fraud schemes that impact credit unions of all sizes.

C. ECS - Emergency Communication System

Dean reminded everyone the emergency communication system is up and running and by this time institutions should have completed the registration.

D. Public Meeting Training.

Dean mentioned the annual Public Meeting Training. Expect Paul Allred to go over the training at the next meeting January 14, 2016.

8. Next Meeting – January 14, 2016 at 1:00 p.m.

9. Meeting Adjourned