

MEETING OF THE BOARD OF CREDIT UNION ADVISORS

April 14, 2016

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, Meagan Nattress

Department of Financial Institutions Staff Present:

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

Others present:

Paul Atkinson, Alpine Credit Union; Thomas Gourdin, Firefighters Credit Union; Stewart Mouritsen, P & S Credit Union; and Stephen Nelson, Utah Credit Union Association

1. Call meeting to order – Dean Hirabayashi

2. Minutes – January 14, 2016

Emily Stanton pointed out a spelling error on page two. Scot Baumgartner made the motion to accept the minutes as amended. Meagan Nattress seconded. Motion passes.

3. Legislative Session Update – Paul Allred

Paul reviewed the bills impacting the industry from the 2016 Legislative Session.

- A. SB55:** Senator Bramble's Financial Institutions Amendments. This bill clarifies 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 will always come to the institution in a supervisory action with the expectation being the depository would work with the vendor to correct any issues. SB55 passed and will take effect on May 10, 2016.

- B. SB31:** Senator Harper's Tax Commission Levy Process. This bill gives the Tax Commission the ability to use a data match system. Depository institutions can voluntarily become part of a program that does a data match to see if any of the citizens who owe money to the Tax Commission are customers of the institution. SB31 passed and will take effect on May 10, 2016.
- C. HB177:** Representative Stanard's Mortgage Lending Amendments. Pursuant to Chapter 70D, the department regulates a small group of mortgage lenders that are not regulated by the Division of Real Estate. This bill defined the term mortgage lender; there are six elements that need to be present for the company to meet that definition, if you meet the definition you will need to register with the DFI as well as be licensed with the DRE. HB177 passed and will take effect on May 10, 2016.
- D. HB292:** Representative Daw's Deferred Deposit Lending Amendments. This bill represents a compromise between Daw and the payday lending industry. This bill emphasizes the consumer's ability to repay and requires payday lenders to look at credit reports to see if customers are able to repay the debt. It also requires payday lenders to provide more reporting data to our department. HB292 passed and will take effect on July 1, 2016.
- E. SB89:** Senator Vickers Cannabis-Based Medicine Amendments. A piece of this bill would direct our department to issue one license to one cannabis payment processor. SB89 did not pass. There was a discussion about medical marijuana and money laundering.

4. Exam Items – Riley Bergstedt

A. Exam Scheduling and Preparing for Exams

Riley is reaching out by email contacting presidents before scheduling exams. He is seeking to work personally with credit unions to find a time that will work best for both the institution and our department. Riley is hoping to continue to schedule a prep week for the EIC that allows time to send a request list to the institution. The more information that can be reviewed ahead of time, the less time the examiners may need to spend in the institution.

B. Workplace Conduct

Riley discussed workplace conduct and the credit union's right to respectful behavior from the examiner. Riley emphasized the expectation of respect needs to go both ways. Riley reviewed the Credit Union National Association Bill of Rights that has been discussed previously. There was a discussion about exam management and the importance of exam management. Riley wants credit unions to feel comfortable coming to him with any feedback, without fear of negative ramifications on exams. There was a discussion about the length of exams and the amount of examiners on site, especially on the smaller credit unions. Riley is

going to work on exam scheduling and attempting to not be as burdensome to our credit unions. ***See Handout 1.**

C. Consistency on Exam Reports

There was a discussion about opinions and “best practices” spilling into recommendations in exam reports. Coaching for examiners is always ongoing. Riley hopes to become a better editor to make sure the recommendations are focused around rules and regulations.

D. Longer Exam Cycle

The DFI will not be moving to an 18 month or extended exam cycle. We will continue to follow a 12 to 15 month exam schedule.

5. Industry Updates and Comments – Riley Bergstedt

A. Retirement Options for CU Employees

There was a discussion about benefits, retirement programs and investment options for credit union employees. Like other industries, the trend is seeing more and more getting out of defined contribution plans. Companies mentioned included: Allied Insurance, SWBC, CUNA Mutual, and Life Insurance of the Southwest.

B. Clarification on Title 7 Chapter 1 Part 3 Section 317 and 318

Riley provided a handout outlining these statutes. He explained the reasons behind the requirement of signatures and attestations on reports of condition. There was a discussion about cross training and the importance of having more than one individual within the institution that can complete a call report and submit it on time. ***See Handout 2.**

C. Credit Union Industry Ratio

Riley provided a handout with the credit union call report data from 2015. Riley reviewed the medians and averages and there was a discussion about growth and losses within the industry. ***See Handout 3.**

D. Title 7 Chapter 9 Section 43 (9)

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. Riley read the statute and asked if there was anything the board or those in attendance wanted to bring to his attention. See item 7. **Other Items** for the topics discussed here.

6. Commissioner Comments - Commissioner Leary

Commissioner Leary thanked those in attendance for their continued participation.

A. Legislative Audit

The legislative audit, focused solely on deferred deposit lenders, is still ongoing. We have not received an update.

B. Lasonde Institute – Center in Innovation in Banking and Financial Services

The first check for \$300,000 has been delivered to the Lasonde Institute. The Executive Advisory Committee has had their first official board meeting. Commissioner Leary was unsure if a representative from the credit union industry has been designated to the Center's Advisory board yet.

C. NASCUS Meeting in DC

Commissioner Leary and Riley attended a last minute NASCUS meeting in Washington DC.

D. Consumer Financial Protection Bureau (CFPB)

Commissioner Leary talked about the department's relationship with the CFPB.

7. Other Items

A. Member Business Lending and Field of Membership

There was a discussion about member business lending limitations and the possibility of future legislation on both the state and federal level. Any changes to field of membership and MBL would go through the legislature.

B. Qualified Mortgages

Darryle and Riley both stressed that examiners are not looking at qualified versus non-qualified. They are looking at the quality of the loan.

C. Financial Accounting Standards Board's (FASB) new Current Expected Credit Loss (CECL) Model

There was an in-depth discussion about CECL and the impact the new model would have on credit unions. The department has been participating in discussions about the new model and will continue to closely monitor this topic. We will gather more information and provide an update at the next meeting.

D. Cybersecurity

Stephen Nelson asked the department to address some of the growing apprehension in the industry regarding cyber security and the approach the department will continue to take on exams. Riley hopes credit unions will not be fearful. We truly intend this next stage of cyber security awareness to be a learning process, for everyone involved. Riley stressed that at this time the

department wants to see that institutions have something in place to assess their operation and are actively taking steps to mitigate risk. There was a discussion about an educational seminar and having examiners provide insight into what they are looking for on exams. Emily will email updates and scheduling information.

- E. Emily's Emails** Riley asked if everyone was receiving the emails Emily sends out containing meeting minutes and updates for our credit unions. There was a discussion about how to increase participation and attendance and how the department can make this meeting something that more credit unions will want to attend.

9. Next Meeting – July 14, 2016 at 1:00 p.m.

10. Meeting Adjourned