MEETING OF THE BOARD OF CREDIT UNION ADVISORS

July 8, 2013
1:00 pm

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

Minutes

BOARD MEMBERS PRESENT:
Scot Baumgartner and Ilene Rollo.

DEPARTMENT OF FINANCIAL INSTITUTIONS STAFF PRESENT:
Ed Leary, Orla Beth Peck, Paul Allred, and Merisa Lanford

OTHERS PRESENT:
Heather Line and Stephen Nelson from Utah Credit Union Association.

1. Call meeting to order – Scot Baumgartner

2. Minutes

A quorum was not present so the approval of the minutes was postponed until the next meeting.

A discussion ensued regarding new members for the board. Orla Beth asked for suggestions and six individuals were put on a list of possible candidates.

3. Public Meetings Training – Paul Allred

Paul explained that it is required by law to have this training yearly. The definition of a meeting is the convening of a public body with a quorum present to discuss, receive comment or act on a matter under its jurisdiction or advisory power. A meeting is not a chance or social meeting. It is a meeting of a public body that has both legislative and executive responsibilities in certain circumstances. The Board of Credit Union

Advisors is a public body because it is part of the Department of Financial Institutions which is part of the executive branch.

Scot asked if it is possible to have league representation on the board. Commissioner Leary explained that the code says that the association is supposed to make the suggestions. Paul read from the code that members of the board should be familiar with and associated with the field of credit unions. At least three members should have three or more years of experience as a credit union officer and should be selected by a list submitted to the governor by the Utah League of Credit Unions. Ilene asked about board members that are retired credit union presidents. Commissioner Leary said that if they retire during their term they may carry out their term.

Paul explained that public notice has to go out 24 hours before and is posted on the public meetings website. The notice identifies the time and place of the meeting as well as the agenda. Minutes are required to be taken during each meeting and are required to be approved within a reasonable amount of time. A recording of the meeting must also be available within 3 business days and be available to anyone who asks within a reasonable amount of time.

The next part of the training was regarding closed meetings. Paul said there are a lot of requirements to close a meeting but fortunately this meeting does not discuss issues that would fall into a closed meeting definition. A closed meeting is where the public is asked to leave. Requirements of closing a meeting include if a person's character, competence or health is being discussed or imminent litigation, acquisition of real property, security system, or investigation of criminal conduct.

An emergency meeting cannot be held unless an attempt to notify all members is made in advance. Orla Beth had asked Paul about doing an electronic meeting. Paul said that it can be done if there are procedures in place. However, the challenges are that it makes it difficult to make the meeting open to the public. Ilene asked if the minutes could be sent out by email and approved by email. Paul said they have to be approved in a meeting with a quorum present. Ilene then asked if a board member has to be present at the meeting to approve the minutes from that meeting. Paul said you do not have to be present at the prior meeting to approve the minutes as long as there is a majority. Scot asked if credit union board meetings fall under these rules and Paul explained that individual credit union board meetings are not public bodies and do not fall under this legislation.

4. Enterprise Risk Management – Orla Beth Peck

NASCUS did an Enterprise Risk Management webinar that Orla Beth attended. She handed out a packet with information from the webinar. Scot said that his concern with Enterprise Risk is that he sees it becoming regulated at some point. Scot asked what the state's position is and what they are expecting credit unions to be looking at as part of this program. Orla Beth said that it sounds like something that isn't going to be easily implemented into small institutions. She referred to a sample reporting structure in the packet and remarked that in the small institutions many of the positions/departments are the same people. However, you still want to look at things as they effect the whole organization and not what is called the 'silo' approach (where the lending is isolated from the frontline system). Scot said that management tends to make all the decisions independent from the staff and the staff has no idea what management is doing. The whole idea is that everyone is on the same page and involved. Scot said that this sounds like it is the new management style. Orla Beth agreed and said that it takes a holistic and forward looking approach rather than a reacting approach.

Orla Beth said that she does not see it being mandated by regulators because it is something for large credit unions. Scot said that with the large amount of attention it is getting it worries the small credit unions. Scot also said that he feels the state's approach is appropriate and not over burdening, unlike the NCUA's approach. Commissioner Leary added that the state always encourages a review of risk throughout the credit union but there is nothing mandated by the state at this level. It was mentioned that CUNA is the organization making Enterprise Risk visible. Scot said that the whole thing would be fine if it was geared down to the appropriate size. Orla Beth commented that some of the processes can be applied to an institution of any size. She also remarked that Stephen does strategic planning sessions with credit unions and asked him if he incorporates any of this into his sessions. Stephen says he hasn't until now but is looking into it.

5. Other Business

Ilene asked a question about late payment fees and the way they are charged. She has a situation where a member was late for three months and only one fee was charged. Then they made two payments. Her question is if they can charge another late fee because the two payments did not get the member's loan caught up. Heather said that according to Regulation Z she can charge another late fee as long as the late fee is not being charged due to unpaid late fees. She said you can charge each time they are late you just can't 'pyramid late fees'. A discussion ensued regarding how escrow fits into late fees and in what order payments and fees are applied. Paul said that state law says they can charge the reserve account and require additional monthly deposits in the reserve account for up to 12 months to recoup the deficiency. Heather said that this issue is covered in RESPA.

Scot asked if collateral protection insurance is mandatory if they don't carry their own insurance or is it optional. Commissioner Leary said that the statute is not clear in Utah.

6. Next Meeting – October 8, 2013-1:00 p.m.

7. Adjourn