

MINUTES

**ILLINOIS BANK EXAMINERS' EDUCATION FOUNDATION
BOARD OF TRUSTEES**

Meeting of Friday, February 15, 2008

**James R. Thompson Center
100 West Randolph, Room 9-035
Chicago, Illinois 60601**

and

**Department of Financial and Professional Regulation
320 West Washington, 4th floor conference room
Springfield, Illinois 62706**

Chairman Dean Martinez called the February 15th, 2008 meeting of the Illinois Bank Examiners' Education Foundation Board of Trustees to order at 10:20 a.m. with the presence of a quorum.

MEMBERS PRESENT

Dean Martinez, *Chairman*
Secretary, Department of Financial and Professional Regulation

Keith Bradbury, *Class B Member*
Franklin, Illinois

Peter Q. Morrison, *Class B Member*
Elgin, Illinois

STAFF PRESENT

Jorge A. Solis, *Director*
Bureau of Banks and Trust Companies

Scott D. Clarke, *Assistant Director*
Bureau of Banks and Trust Companies

Kerri A. Doll, *Chief Counsel*
Bureau of Banks and Trust Companies

Brent Adams, *Director of Policy*
Office of the Secretary

Reggie Clay, *Training Coordinator*
Bureau of Banks and Trust Companies

Belinda Daugherty, *Administrative Assistant*
Bureau of Banks and Trust Companies

APPROVAL OF AUGUST 16, 2007 MINUTES

A motion was made by Mr. Morrison to accept the minutes of the August 16, 2007 meeting as distributed. Mr. Bradbury seconded the motion. The minutes were approved as distributed.

REVIEW OF FINANCIAL STATEMENTS OF THE FOUNDATION AS OF JANUARY 31, 2008

A motion was made by Mr. Bradbury to approve the financial statement as of January 31, 2008 as distributed. Mr. Morrison seconded the motion. The financial statement was approved as distributed.

APPROVAL OF INVESTMENTS

Mr. Clarke indicated that a summary of the certificate of deposit rate quotes were included in the Board of Trustee packets. Mr. Clarke explained that all Illinois state-chartered banks were solicited for the opportunity to receive funds and that only fifteen bids were received state-wide. Mr. Clarke stated that the rate quotes were sorted by maturity lengths of six months, twelve months, twenty four months, and thirty six months. Mr. Clarke noted that the agency does not have an immediate need for the funds and that we are in a volatile interest rate market. Mr. Clarke further stated that the agency is seeking the board's advice on placement of the funds. Mr. Clarke noted as a refresher on the summary sheet of rate quotes there is a history column and the codes listed indicate whether the bank is a (C) current holder of funds, (P) previous holder of funds, (M) minority bank, or if the county is (N) new, meaning that county has never received funds. Mr. Clarke stated that the Foundation has two \$100,000.00 certificates of deposit maturing and the current available amount in the transaction account is \$226,000.00. Mr. Clarke reminded everyone that at the August 16, 2007 Board of Trustees meeting there was discussion of reducing the balance in transaction account to \$100,000.00, which the agency did remove \$250,000.00 and invested that amount in certificates of deposit as directed by the board. Mr. Clarke stated since that time the transaction account has grown. Mr. Clarke further stated the board could withdraw \$100,000.00 from the transaction account leaving a balance of \$126,000.00 and invest in three \$100,000.00 certificates of deposit. Mr. Morrison stated that the 4.05% in the thirty sixth month rate was pretty competitive and that investing the funds for thirty six months would continue the ladder of investment maturity. Mr. Morrison stated that there was also a slot within the ladder of maturity for investing funds for twelve months. Mr. Morrison further stated that perhaps the Foundation should roll the two certificates of deposit that came off of the thirty six months back into thirty six months and invest the \$100,000.00 withdrawn from the transaction account in a twelve month certificate of deposit to fill that ladder spot. Mr. Bradbury agreed and stated as bad as times are now regarding interest rates, six months from now they could be worse. Mr. Bradbury mention the upcoming training expense listed on the agenda in the amount of \$216,749.00 and wanted to know if there was sufficient liquidity for that. Mr. Clarke stated that we do have sufficient liquidity because the Foundation has two \$1 million dollar certificates of deposit maturing in May. Mr. Clarke further stated that the agency does not expect to spend the \$126,000.00 balance in the transaction account between now and May. Mr. Morrison stated that with \$2 million maturing in May, the Foundation might just want to invest all \$300,000.00 in certificates of deposit at the thirty six month rate to take advantage of the higher rate. Director Solis agreed with Mr. Morrison and further stated that interest rates now are not necessarily great but pointed out that expectations are that the rates will go down even lower. Mr. Clarke concurred and stated that he would be comfortable investing all \$300,000.00 in the thirty six month rate if the board chooses to do so.

Mr. Morrison made a motion to award \$300,000.00 to Premier Bank in Wilmette; if they choose not to accept more than \$100,000.00 which is what they bid on, then the balance would be offered to the State Bank of Nauvoo in Nauvoo, if they choose not to accept the \$200,000.00, they would receive \$100,000.00 and the remaining \$100,000.00 would be placed with PeopleFirst Bank in Joliet. Mr. Bradbury seconded the motion. The motion was unanimously approved.

Chairman Martinez asked "How does the agency reach out to the banks to solicit bids?" Mr. Clarke explained that a broadcast fax is sent to every state-chartered bank. Mr. Clarke stated that some of the banks do not want to be in the business of holding government funds. Mr. Bradbury indicated that some of the smaller banks can not compete with the rates. Mr. Clarke stated that the only banks that are excluded are those that are poorly rated and that there are very few of those. Director Solis asked does the agency only solicit state chartered banks and not national banks. Mr. Clarke stated that based on the boards approved investment policy the agency only solicits state chartered banks.

SUBSTITUTION OF COURSES PREVIOUSLY APPROVED

Chairman Martinez asked Mr. Clarke to bring the board up to speed on the course changes. Mr. Clarke stated that at a prior meeting the board authorized staff to substitute courses based on there unavailability or if the class was full. Mr. Clarke further stated that there was a handout included in the meeting packet that indicates that the agency spent \$104,742.77 less than what was approved. Mr. Clarke stated that the agency substituted several courses with the following, attendance at the International Dialogue Day, Community Bankers Association Conference, and Minority Depository Institutions Conference. Mr. Clarke noted that the FDIC held a conference this year on bank failures in anticipation of more bank failures. Mr. Clarke stated that all of the legal staff attended that conference. Mr. Clarke further stated that none of the lawyers currently on staff have been through a bank failure, so the agency thought that was an important class to attend. Mr. Clarke noted that there were a number of changes in call report revisions so the agency purchased training materials on compact disc pertaining to the changes to go on laptops for the examiners. Mr. Clarke stated that even with the substitutions the agency spent \$94,361.78 less than the board had approved the agency to spend. Mr. Clarke introduced Mr. Chad Montgomery who is new to the legal staff to everyone and stated that the agency would like to get him properly trained on banking laws and changes in the industry. Mr. Clarke further stated that as the agency has changes in the work force the agency may need to make adjustments to the training schedule. Mr. Clarke noted that the agency continues to look for opportunities regarding training but the agency will strive to spend less than the board authorizes.

Mr. Morrison made a motion to approve the substitution of courses as outlined by Mr. Clarke. Mr. Bradbury seconded the motion. The motion was unanimously approved.

Mr. Morrison noted that Mr. Clarke mentioned laptops and asked if there were by-laws that specify what the agency can pay for out of the Illinois Bank Examiners' Education Foundation funds. Mr. Clarke stated that the training materials are on CD-ROM(s) that go onto existing laptops no computer equipment was purchased with the funds. Mr. Clarke further stated in order to reduce travel cost the agency looks for training that can be done on-line or on a CD or DVD on examiner laptops. Mr. Clarke indicated that the by-laws would allow the agency to use funds for a laptop if that laptop was for examiner training. Ms. Doll, Chief Counsel concurred with Mr. Clarke.

Mr. Clarke pointed out that the FDIC seminar spent three days talking about the potential increase for bank failures in the county and gearing states up for how do you take possession and control and what the legal responsibilities are.

Mr. Clarke stated that senior staff recently attended a course on De Novo Banks. Mr. Clarke further stated that despite the economic issues there are still a lot of applications for new banks. Mr. Clarke stated the state of Georgia put a freeze on accepting new applications for banks. Chairman Martinez stated that with some of the laws we have in the State of Illinois the agency will see an increase in new bank applications. Chairman Martinez further stated that some of the larger mortgage companies will try to become state chartered banks to try and get out of the requirements of Senate Bill 1167 which affects big mortgage companies. Mr. Clarke stated that two national banks converted to state-chartered banks this year including the largest African American bank in the state. Mr. Clarke further stated that two others have identified their intent to convert prior to June 30, 2008 and some others have indicated their interest. Chairman Martinez noted that some international banks are coming in as well. Mr. Clarke stated that for the first time in probably 16 years the agency has been advised that they will receive an application for a new Foreign Banking office. Mr. Clarke further stated that a bank from Spain wants to open a branch here in our state. Ms. Doll stated that the agency has received the application. Mr. Clarke noted that this presents new training issues with respect to dealing with banks from other countries. Mr. Clarke mentioned that the way the statute is laid out no newly chartered banks or banks that convert pay money into the Foundation. Mr. Clarke further state that the statute only assessed a one time fee to all of our banks and no new banks ever pay into the system. Mr. Clarke stated this may be a fairness issue and in the future the agency may want to think about collecting money from the new banks for the foundation. Mr. Clarke further stated that the agency would seek the board's direction in the future for that.

NEW BUSINESS

Proposed Training Courses for Calendar Year 2008

Mr. Clarke stated that in the packets there is a list of the Proposed Training Courses for calendar year 2008 that Mr. Clay helped put together. Mr. Clarke noted that the staff and managers were solicited and asked about what kind of training they thought they needed and came up with a list of courses that total \$216,749.00. Mr. Clarke further stated that the list contains a wide variety of courses from banking law, fraud prevention, information technology, and credit analyst. Mr. Clarke mentioned that included in the list is a summary of each course and proposed number of attendees. Mr. Clarke stated that this training proposal will also fund an accreditation requirement to have an annual examiners conference. Mr. Clarke indicated that the agency is seeking approval from the board regarding the 2008 Training proposal.

Mr. Morrison asked for clarification on how the agency decides on which staff members get to attend each course or event. Mr. Clarke stated that generally the agency looks at each individuals training history with the agency. Mr. Clarke further stated that the accreditation standards are that every employee should receive twenty eight hours of outside training a year. Mr. Clarke mentioned that some of the courses are subject matter experts such as the Advanced BSA/AML specialists' conference. Mr. Clarke indicated that the lead Anti Money Laundering Bank Secrecy Act person would attend that conference. Mr. Clarke stated that most of the courses are not for management but more so for field examiners. Mr. Clarke further stated that the agency wants to make sure that the managers are properly trained as well. Mr. Clarke mention that the proposed 2008 training request does included some courses for managers. Mr. Clarke added that the annual Midwest Regional Information Technology Conference which the agency has proposed sending sixteen employees that number represents the entire Information Technology Examiner staff.

Mr. Morrison asked how training was funded before the agency had the Illinois Bank Examiners' Education Foundation funds to pull from. Mr. Clarke explained that training expenditures were paid from the agency's appropriation fund. Mr. Morrison inquired about the agency's training budget prior to the establishment of the foundation. Mr. Clarke stated that the foundation has been in existence since about 1984. Mr. Clarke further stated that prior to that the agency had 880 state chartered banks, currently the agency has less than 500. Mr. Clarke explained that the agency had more banks paying in fees to the agency and the agency spent about the same amount of money out of the appropriation to have examination staff trained. Mr. Morrison asked if the contribution of six million to the foundation reduced the amount of fees charged to the banks. Mr. Clarke commented that it reduce the amount of money spent out of the appropriations. Mr. Clarke pointed out that before the foundation was established the agency turn over rate was 25% a year, therefore most of the training the agency was doing was beginning operational courses. Mr. Clarke further stated that the agency current rate of attrition is under 2% so now the agency is looking at the more advanced and specialized courses. Mr. Morrison asked does the agency have a lot of examiners looking at retiring. Mr. Clarke stated that 70% of the agency work force could retire in less than ten years. Mr. Clarke further stated that the agency has about fifteen to twenty examiners who could retire today based on their eligibility for retirement. Director Solis commented that the business of examining is getting more complex and agency examination staff needs to be well trained and up to date. Mr. Bradbury commented that training today is significantly different than it was in the mid eighties with the technology. Mr. Bradbury stated that as a banker back then it was not uncommon to hand an examiner a hand written ledger. Mr. Clarke stated that last year the board made a heavy investment in training for Anti-Money Laundering and Bank Secrecy Act (BSA) which is obviously a current hot button issue within the industry. Mr. Clarke further stated that all of the agency's examination staff has been through advance BSA and Anti-Money Laundering training because that is what they're seeing in the field. Mr. Clarke stated that last year under Mr. Clay's direction the agency brought in mortgage fraud training for all of the commercial banking examination staff because the agency was seeing a number of state character banks was having mortgage subsidiaries. Mr. Clarke further stated that the potential for danger and risk to the bank was high. Mr. Clarke stated that the training has certainly evolved as the industry evolves.

Mr. Morrison made the motion to approve the 2008 Training request in amount of \$216,749.00 as distributed. Mr. Bradbury seconded the motion. The motion was unanimously approved.

Miscellaneous Expense

Chairman Martinez advised the board that the agency had expended \$47 dollars for miscellaneous expenses.

1. Marine Bank – Wire Transfer Fee - 08/20/07	\$15.00
2. Leaders Bank – Wire Transfer Fee – 08/20/07	\$20.00
3. First Clover Leaf Bank – 08/20/07	<u>\$12.00</u>
Total.....	\$47.00

Mr. Clarke mentioned that at a previous meeting the board had authorized the agency to pay miscellaneous expenses up to the amount of \$250 so long as the agency advised the board of what was expended at the next meeting.

OPPORTUNITY FOR DISCUSSION BY BOARD MEMBERS

Chairman Martinez stated that yesterday an announcement was made because of the tragedy at Northern Illinois University. Chairman Martinez further stated that the governor has asked the Department of Financial and Professional Regulation and the Housing Development Authority to come up with a plan to try and address some of the foreclosures and to try and help Illinois citizens as best as possible. Chairman Martinez explained that the two agencies created a program called Homeowner Outreach Days the agencies would go out into the communities with lenders, counselors and providers to try and help people avoid foreclosure. Chairman Martinez continued by saying that they reached out to four of the larger state based mortgage bankers because they had a hand in creating the problem and purposed a challenge to them by asking "What can you do now?". Chairman Martinez stated that they came up with the most consumer-friendly response in the country; they are going to commit Two Hundred Million dollars to fix loan products to persons with credit scores as low as 580 and up to missing one payment in thirty days. Chairman Martinez also stated that consumer fees would be limited to one thousand dollars. Chairman Martinez further stated that the Governor will challenge larger lenders outside the state to do the same. Chairman Martinez commented that now they need to get publicity for the program so that people will know that there is a number to call for counseling. Chairman Martinez further stated that the lenders will create a pool which will have its own 800 number for consumers to call in and try to get refinanced. Chairman Martinez indicated that the pool would have a tracking system in place so the agency would know the number of loans, how much of the money has been used and what is the average credit score of the consumers that are coming in. Chairman Martinez mentioned that a couple of testimonials that he heard on foreclosures had nothing to do with adjustable rates, but rather illness and spousal death.

Chairman Martinez asked if there were any other subjects that needed to be discussed. Mr. Clarke stated that he had met with the external auditors, and at this point they are indicating no findings with respect to the Illinois Examiner's Education Foundation fund.

Chairman Martinez introduced Mr. Brent Adams who was the former acting director of the Department of Financial Institution and is the current Director of Policy, Office of the Secretary. Chairman Martinez stated that Mr. Adams will be advising the Secretary's office on all policy related issues including banking related issues.

ADJOURNMENT

Mr. Bradbury made a motion to adjourn. Mr. Morrison seconded the motion. The Meeting was adjourned at 11:00 a.m.