

MINUTES

**STATE BANKING BOARD OF ILLINOIS
Meeting of Monday, May 14, 2012
Via Video Conference**

**Illinois Department of Financial and Professional Regulation
Division of Banking
122 South Michigan Avenue, Suite 1900
Chicago, IL 60603**

and

**Illinois Department of Financial and Professional Regulation
Division of Banking
320 West Washington Street
Springfield, IL 62786**

MEMBERS PRESENT

Manuel Flores
Director of Banking
Department of Financial and Professional Regulation
Springfield, Illinois 62786

Joy French Becker
President
Farmers State Bank & Trust Company
Jacksonville, Illinois 61651-1127

Lisa M. Derezinski
Public Member
Chicago, Illinois 60604

Mark G. Field
President
The Farmers Bank of Liberty
Liberty, Illinois 62347-0196

Walter E. Grady
President
Seaway Bank and Trust Company
Chicago, Illinois 60619

James B. Jurgens
President
State Bank of Arthur
Arthur, Illinois 61911

Dory M. Rand
Public Member
Chicago, Illinois 60602

STAFF PRESENT

Scott D. Clarke, Assistant Director
Division of Banking

Belinda Daugherty, Administrative Assistant
Division of Banking

Chad Montgomery, Legal Counsel
Division of Banking

Chairman Flores called the meeting to order at 1:05 pm without the presence of a quorum. Chairman Flores further stated without the presence of a quorum they would delay on any matters requiring a vote, however they could engage in matters that do not require Board action.

Ms. Rand stated that she notice a grammatical error in the minutes of the meeting of March 5, 2012 that needed changing; the word purposed used throughout the document should be changed to proposed.

Mr. Field stated on page 3 of the minutes of March 5, 2012 under State of the Industry it states that the only bank failure prior to 2008 was in 1993. Mr. Field further stated that there were bank failures prior to 1993. Mr. Field suggests that the wording be changed to read "if you go back in history the most recent failure prior to 2008 was in 1993".

Chairman Flores stated that the agency would make note of the proposed corrections to the minutes of March 5, 2012.

Ms. Rand stated that in the packet there is a list of Illinois banks who received deposits from the Illinois Bank Examiners' Education Foundation (IBEEF). Ms. Rand stated that she searched the FDIC website to see what the CRA ratings were on the banks that had received deposits from IBEEF. Ms. Rand further stated that all of the banks listed had satisfactory ratings with the exception of Pan American Bank which had an outstanding rating. Ms. Rand suggest that this might be criteria for discussion along with the interest rates for receiving deposits.

Chairman Flores stated that the IDFP website also list CRA ratings of the Illinois State Chartered Banks. Chairman Flores further stated that the agency also makes reference to the number of loans that these banks make to small businesses.

Ms. Rand asked; when request for certificate of deposit rate quotes are sent out to the banks do they go to all state chartered banks or is there some other selective list.

Mr. Clarke stated that the request for certificate of deposit rate quotes are sent to all Illinois State Chartered Banks and investment is limited to banks that have a composite "1" or "2" CAMELS rating, which is in accordance to the current investment guidelines of the Foundation.

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Ms. Rand commented that it is almost impossible for a bank not to get a satisfactory CRA rating and that it might make sense to reward the banks that are going above and beyond who receive an outstanding CRA rating. Ms. Rand further stated that maybe we could add that criterion along with some other mixture such as small business lending which helps our economy grow and create jobs.

Ms. Becker stated that is very difficult for a small to medium size bank to get an outstanding CRA rating. Ms. Becker further stated that CRA is basically geared more towards the bigger banks.

Mr. Field stated that in his case Liberty bank had an outstanding CRA rating. Mr. Field further stated that at their next exam due to the random selection of loan files chosen for review and consideration, the selection did not include as many customers who fell in the lower income brackets, so it took them out of the running to get an outstanding rating even though their standards did not change at all. Mr. Field further stated that he agrees with Ms. Becker that smaller banks have a harder time of getting an outstanding CRA rating.

Mr. Jurgens asked how many banks responded to the agency's request for certificate of deposit rate quotes.

Mr. Clarke stated that for the first time since he has been involved in the Board's activities, which has been since 1985, the agency received no responses at all. Mr. Clarke further stated that actually we had one response but the bank recalled it. Mr. Clarke stated that this matter is on the agenda for discussion given that there was no demand for the money.

Ms. Rand asked why banks wouldn't be interested in deposits.

Mr. Clarke stated that he would let one of the banker member colleagues respond to that question. Mr. Clarke further stated that the solicitation was for \$1 Million in deposits.

Ms. Becker stated that you seek deposits when you can offset them in the lending community which is where you make your money. Ms. Becker further stated if you can't offset deposits into loans and have a decent margin then it is really counterproductive to seek deposits. Ms. Becker stated that right now loan demand is not there.

Mr. Field stated that reinvestment options are very limited at this point to obtain any kind of yield at all without taking on great risk. Mr. Field further stated that if you came to his bank wanting a \$250,000.00 certificate of deposit (CD) that would have a different impact than wanting a \$1 Million dollar CD. Mr. Field stated he would be more likely to respond to something that is FDIC insured and not requiring him to pledge securities to secure the deposit.

Ms. Rand asked is that something the Board can consider dividing the funds up into \$250,000.00 increments.

Ms. Derezinski stated in terms of getting the money out there in the community where it could be lent to small businesses, it make sense to split the funds up into \$250,000.00 increments for deposit.

Ms. Becker stated that it would make it easier for all banks to bid on the funds.

Mr. Clarke stated that the Foundation has two other CD's in the amount of \$100,000.00 each that are maturing and the agency has begun the process of seeking bids. Mr. Clarke further stated that only 2 state chartered banks out of 400 are interested. Mr. Clarke stated that the Foundation has a Money Market account and that the funds could be placed into that account but you would not have a high rate of interest.

Chairman Flores announced that Mr. Grady had just arrived for the meeting. Chairman Flores stated that with Mr. Grady's presence we do have a quorum.

Chairman Flores gave Mr. Grady an update on what the Board had been discussing before his arrival.

Chairman Flores stated that what he would like to do is go back to the agenda for the meeting.

Approval of Minutes

Chairman Flores stated that there were some minor edits to the minutes of March 5, 2012.

Chairman Flores made a motion to adopt the minor edits. Ms. Derezinski seconded the motion. *The motion was unanimously approved.*

Chairman Flores made a motion to approve the minutes of March 5, 2012. Ms. Rand seconded the motion. *The motion was unanimously approved.*

Old Business

Chairman Flores stated that there was no old business to discuss at this time.

New Business

Mr. Clarke stated that the agency solicited bids from all state chartered banks with a composite "1" or "2" CAMELS rating. Mr. Clarke further stated that the agency received no interest in the \$1 Million dollar deposit. Mr. Clarke stated that he is seeking the direction of the Board regarding what they would like to do. Mr. Clarke indicated that one option would be to place the funds in the Foundation's Money Market account and that the interest rate is currently 0.40%. Mr. Clarke further stated in earlier discussion one of the Board members suggested breaking the funds up into smaller increments. Mr. Clarke stated that his suggestion would be to split the funds up into \$200,000.00 increments because if placed at \$250,000.00 the interest earned would be over the FDIC insured limit and the banks would have to pledge securities.

Ms. Rand stated that based on earlier discussion her preference would be to invest the funds at \$200,000.00 increments so that it increases the possibility that more small businesses in Illinois could get funding.

Mr. Grady asked what would be the time span on the investments.

Mr. Clarke stated that in the bid solicitation the agency gave the banks the option of 1 year, 2 year or 3 year maturity.

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Chairman Flores stated that his recommendation would be to not lock in the funds longer than one year. Chairman Flores further stated that this would give us the opportunity to capitalize on a better interest rate next year.

Ms. Becker made a motion that we put the funds into the Money Market Passbook account and send out another solicitation for certificate of deposit rate quotes for investing \$200,000.00 for one year, the winning bidders would be invited to take additional funds in increments of \$200,000.00 up to \$1,000,000.00. Ms. Rand seconded the motion. *The motion was unanimously approved.*

Mr. Clarke stated that the Foundation currently has two other certificates of deposit maturing, each in the amount of \$100,000.00. Mr. Clarke further stated that when the bids come in would the Board like to reconvene the meeting or would the Board authorize the agency to take the highest bid. Mr. Clarke stated that the agency has received two bids thus far but the bidding period has not ended.

Mr. Field made a motion to allow the agency to act on the bids without reconvening the Board as long as they follow the current investment guidelines; investment will be limited to Illinois state-chartered banks having a composite "1" or "2" CAMELS rating and at the Board's recommendation a CRA rating of satisfactory or better. Ms. Becker seconded the motion. *The motion was unanimously approved.*

Chairman Flores stated that the agency would notify all of the Board members electronically (via email) of their decision regarding investment prior to awarding funds to an institution.

Chairman Flores made a motion to add the electronic notification to all Board members prior to investment of funds as an amendment. Ms. Becker seconded the motion. *The motion was unanimously approved.*

Consideration of Board Resolution 2012-03

Mr. Clarke stated the most recent amendments of the Open Meetings Act provided that every public body must provide an open comment period for members of the public to address the Board. Mr. Clarke further stated that is generally suggested that each Board come up with an established criteria for how long a person could talk and that the topic be relevant to what the Board is considering. Mr. Clarke stated that the guidelines would need to be printed and developed beforehand. Mr. Clarke further stated that the agency has provided a draft resolution for the Boards consideration, which recognizes the public's right to participate. Mr. Clarke stated that Resolution 2012-03 provides a five (5) minute limit to each speaker unless otherwise approved by the Board and that comments have to be limited to subjects related to the Boards powers and duties. Mr. Clarke further stated the Board could limit at their own discretion comments from a speaker if they are deemed irrelevant, repetitious, or disruptive. Mr. Clarke stated that members of the public would be advised that their statements could be recorded and posted on the agency's website as part of the minutes.

Ms. Rand made a request to make change to the language under guidelines (second to last bullet point) to read "The Board in its own discretion may limit comments from a speaker if his or her comments are deemed irrelevant, repetitious, or disruptive".

Mr. Field made a motion to approve Resolution 2012-03 with the editorial change. Ms. Becker seconded the motion. *The motion was unanimously approved.*

Meeting Schedule for 2012

Mr. Clarke stated that the Board needs to establish its meeting schedule for the entire year so that the agency can post the schedule to the agency's website.

Ms. Becker suggested that the Board meet quarterly.

Chairman Flores stated that given the current environment his recommendation would be that the Board meets quarterly. Chairman Flores further stated that this would give the Board the opportunity to address any issues that may come up.

After some discussion the consensus of the Board was to meet on the second Monday of the first month of the quarter unless that day falls on a legal holiday, then the meeting would be moved to the subsequent Monday. This schedule would begin on September 10, 2012.

Mr. Clarke stated that Illinois Bank Examiners' Education Foundation has three certificates of deposit maturing on August 4, 2012. Mr. Clarke asked the Board would they want to follow the same procedure of soliciting bids and investing with the highest bidder; the agency would notify the Board via email of the agency's decision.

Ms. Becker made a motion that the agency follows this procedure with the rest of the certificates of deposit coming due this year. Mr. Grady seconded the motion. *The motion was unanimously approved.*

Open Comment Period for Members of the Public

Chairman Flores stated at this time the meeting is open to any members of the public to address the Board. Chairman Flores asked Mr. Clarke if the agency received any notices. Mr. Clarke replied that the agency did not receive any notices.

There being no further business before the board, Chairman Flores made a motion to adjourn. Ms. Rand seconded the motion. *The motion was unanimously approved.* The meeting adjourned at 2 PM.