

## **GOVERNOR'S ADVISORY BOARD MINUTES**

The regular meeting of the Governor's Board of Credit Union Advisors was called to order by Chairman Peter Paulson on Wednesday May 1, 2019 in the Illinois Credit Union League Office, 225 S. College, Suite 200, Springfield, IL 62704.

### **Present**

Current Board consisted of 5 members with 2 vacancies. Chairman Peter Paulson, Vice Chairman Keith Burton, Board Member Raymond Rogers (By phone), and Board Member Paul Gaumer were all present. Chairman Paulson declared a Quorum.

### **Absent**

Secretary Jose Garcia

### **Welcoming Remarks**

Chairman Paulson welcomed Mr. Francisco Menchaca (Director, IDFPR), Mr. Rob Finney (Acting Supervisor-IDFPR Credit Union Division), (Ms. Colleen Stuart) (Administrative staff – IDFPR CU Section), Mr. Thomas Kane (President/CEO, ICUL), Mr. Patrick Smith (SVP Regulatory Affairs & Member Outreach, ICUL), Ms. Ashley Sharp (VP Legislative Counsel, ICUL), and all guests. Chairman Paulson also thanked the Illinois Credit Union League for hosting today's meeting and for their hospitality.

### **Approval of Minutes**

Chairman Paulson presented the GAB October 23, 2018 minutes which was motioned Vice Chairman Burton and seconded by Mr. Gaumer. AYE: 4, NAY: 0, ABSENT: 0. Motion carried.

### **IDFPR Updates**

Acting Supervisor Finney gave a general update of IDFPR matters. He stated that his goal is a direct line from the IDFPR to the GAB. He gave an open invitation to call him directly to help the GAB serve its purpose. They are in the process of training new examiners and looking for good, qualified candidates to help fill roles in the future. They currently have 13 examiners, two full-time and two part-time in training. 57% of the field examiners have 20+ years of experience so there will be a definite need for new examiners soon.

The examination process of a secured portal is gaining traction. Member Gaumer stated that Examiner Keung has just left his credit union and the process of the secured portal was very seamless and efficient.

Acting Supervisor Finney wanted to recognize Ms. Colleen Stuart for her years of sacrifice and dedication to the Department. Ms. Stuart will be retiring by the end of 2019. Ms. Stuart commented that she has enjoyed working with the credit unions all of these years and appreciated the professional interaction she had with them.

In general, number of credit unions are down but the assets are up with a decrease in number of credit unions on watch list. As of March 2019, the total number of Credit Unions is 193 with 4

pending mergers. Illinois credit unions have enjoyed strong ratios and continued growth in assets and loans. 3.2 million Illinois residents use credit unions to conduct their financial services.

### **Legislative Update**

Mr. Kane, Ms. Sharp, and Mr. Smith from the Illinois Credit Union League provided federal and state updates on the legislative issues that affect our credit unions today and in the near future. The following highlighted topics were discussed:

Mr. Kane stated that the NCUA has 3 directors for the first time in a very long time. Sarah Vega, former Director of IDFP, has been appointed to the position of Chief Policy Advisor. Also, Kathy Kraninger has been appointed as the Director of the CFPB.

Mr. Kane stated that NCUA Region 3 went through a restructuring and Illinois is now part of the Western Region.

Mr. Kane discussed in length the issue of cannabis banking. One of the key issues will be, and in some areas already, state and federal level guidance. He stated that Congress is also interested in the direction.

Cybersecurity continues to be high on the priority list in regards to National Security and Privacy. California has already passed stronger legislation in regards to this issue. They would have a different privacy rule than other states.

Ms. Sharp, gave updates on bills that were current in the legislative session. SB 1813 makes multiple changes to the Illinois Credit Union Act including delivery of information includes electronic distribution of the information, adds to reasons on which CU Board of Directors may expel members, authorizes Board of Directors to establish reasonable compensation to Directors and committee members. Director Menchaca stated that he can see both sides of the issue because the larger credit unions are getting more complex and they need better expertise. SB 1813 also increases a credit union's aggregate CUSO loan and investment authority from 3% to 10% of the credit unions paid in and unimpared capital and surplus, and clarification of the Revised Uniform Unclaimed Property Act.

HB 2856 amends the Illinois Vehicle Code to require the Illinois Secretary of State to implement the statewide Electronic Lien and Title System.

SB2023/HJR 32 provides a safe harbor for financial institutions offering banking services to legal cannabis related businesses. It would amend the Illinois Credit Union Act and Illinois Banking Act to provide that the IDFP Secretary shall not issue an order against financial institutions for unsafe or unsound banking practices in relation to servicing an owner/operator of a cannabis related business. HJR 32 is to urge Congress to act on the issue of banking legal cannabis related businesses.

A full report from the Illinois Credit Union League of all bills, both supported and opposed, was given to attendees.

Mr. Smith discussed Regulation D and if it was an archaic regulation. He stated that the Federal Reserve opposed full elimination of the regulation but there has been some discussion on moving the number of transactions from 6 to 12.

He also discussed CECL and the number of software companies contacting credit unions to purchase CECL software. Mr. Smith stated that the NCUA doesn't want credit unions to get into financial issues because of software costs. He felt that the expensive software will probably not be needed at the time that CECL goes into effect.

Mr. Sias and Mr. Smith completed the updated with referencing the handouts on the Federal (S. 2155 and 3503) and State level Bills. S. 2155 – Economic Growth, Regulatory relief, & Consumer protection Act contains several provisions that would significantly reduce regulatory burden for community financial institutions like credit unions.

Mr. Smith discussed the 2155 rulemaking parity with NCUA. In addition, lots of FOM request have been requested and processed through IDFPR.

### **Old Business**

None.

### **New Business**

Chairman Paulson made some general comments about NCUA exam modernization. He asked about what practices are in place for data security. Director Menchaca stated that the first step was the IDFPR moving to the secure portal. There certainly is a concern about thumb drives and the old way of handing those to examiners with sensitive credit union data. He stated that if any examiner asks for information on a thumb drive, tell them that you would use the secured portal. There is one issue with the portal that is currently being addressed and that is the fact that some files are too large to upload. The IDFPR is looking at another solution for larger files.

Director Menchaca also asked the question about using credit union Wi-Fi for the examiner's laptops. Currently, they use hotspots. Ms. Stuart stated that the hotspots are very difficult to use in rural areas. Mr. Kane recommended against using credit union Wi-Fi but is looking for feedback from the credit unions.

Another discussion began in regards to CECL. A number of credit unions in attendance stated that the one-time provision expense could really cause lower net worth ratios. The question was asked of Acting Director Finney of how the IDFPR will be handling lower ratios. Director Finney stated with the one-time adjustment, it may downgrade the CAMEL rating but they will look to see if there are other issues causing it or it was strictly the one-time adjustment. He also recommended that an independent accounting firm review CECL with the credit union outside of the credit unions normal CPA.

### **Comments from Board Members**

None

**Next Meetings Date**

To be determined.

**Adjournment**

Chairman Paulson called for a motion to adjourn, which was made by Vice-Chairman Burton and seconded by Member Gaumer. AYE: 4, NAY: 0, ABSENT: 0. Motion carried. Chairman Paulson adjourned the meeting at 12:10 PM.