

Governor's Advisory Board Minutes

May 10, 2017

The regular meeting of Governor's Board of Credit Union Advisors was held at the Credit Union 1, 225 South College Avenue, 2nd Floor, Springfield, Illinois, and called to order at 10 A.M.

Present

Current Board consists of 6 members with 1 vacancy. Present were Chairperson Alice Clements, Vice Chairman Peter Paulson, Secretary Keith Burton, and Members Jose Garcia, Member Paul Gaumer, and Member Raymond Rogers. Chairperson Clements declared a Quorum.

Conference Call - Member Raymond Rogers

Absent - None

Welcoming Remarks

Chairperson Clements welcomed Secretary Bryan Schneider, Mr. Wade Cooper (Supervisor, CU Section), Ms. Colleen Stuart (Administrative staff - CU Section), Mr. Thomas Kane (President/CEO of ICUL), Mr. Steve Olson (EVP - ICUL, General Counsel & COO), Mr. Patrick Smith (SVP - ICUL, Regulatory Affairs & Member Outreach), Mr. Keith Sias (SVP - ICUL, Governmental Affairs), Ms. Ashley Niebur (Director - ICUL, State Governmental Affairs and Legislative Counsel), and all guests. Chairperson Clements congratulated two new Board Members, Jose Garcia and Paul Gaumer, as well as introduced the other Board Members present at the meeting. She then asked everyone in the room to introduce him/herself and also state the associated credit union or organization. All attendees briefly introduced themselves. Including the GAB Board, there were approximately 25 attendees present at the meeting.

Approval of Minutes

Secretary Keith Burton presented the minutes of the May 4, 2016 GAB meeting. Motion to approve the presented minutes of the May 4, 2016 GAB meeting was made by Member Paul Gaumer and seconded by Secretary Burton. The vote was unanimous. Motion was carried. No further question asked.

Election of Board Positions

Vice Chairman Peter Paulson nominated Alice Clements for the chair position of GAB. Secretary Burton seconded the nomination. Ms. Clements thanked and accepted the nomination. Ms. Clements asked if there were any nominations on the floor three times. The nomination was closed. The vote was 6 approved 0 opposed. Motion was carried. Ms. Clements has been elected as Chairperson.

IDFPR Updates

Member Paul Gaumer asked for a moment of silence in condolence of Examiner Mark Berry who passed away on January 12, 2017.

Afterwards, Chairperson Alice Clements surveyed the room with regards to the NCUA Alternative Capital Rule: 21 - Favor | 0 - Against | 4 - Undecided

Secretary Bryan Schneider mentioned that the NCUA Alternative Capital Rule may act as a buffer. He further commented that any interested credit union must obtain Private Letter Ruling requirement before receiving the status to use this supplemental capital.

Secretary Schneider also reminded that the Member Business Rule is effective as of May 1, 2017. Secretary Schneider continued to discuss about the CSBS BSA/AML Self-Assessment Tool that is now available online and acts as a completely voluntary tool to assist credit unions statewide.

Credit Union Section Update

Supervisor Wade Cooper stated that the turn-around time for issuing examination reports has continually improved through streamlining processes using electronic mediums rather than the old paperwork system. Supervisor Cooper further provided updates on Illinois Credit Union activities, issues, and concerns especially with regards to Cybersecurity, which was actively discussed with attendees on an open format. The following are details disclosed: As of December 31, 2016, the total number of Credit Unions is 210 (190 FISCUs & 20 ASI). Total Assets for Illinois state-chartered CU's was \$36 billion as of December 31, 2016. Overall, improvements are noted from December 31, 2016 for Illinois state-chartered CU's in the following areas:

- Total net worth to asset ratio is 10.58% (10.67% Dec. 2015)
- Delinquent loan is 0.68% (0.67% Dec 2015)
- 45 CU's absorbed net losses in 2016 (45 in 2015)
- Total Net Income in 2016 is \$215 million (\$184 million in 2015)
- Net charge-off ratio is approximately 0.41% (0.39% in 2015).

Legislative Update

Mr. Thomas Kane, President/CEO of ICUL, mentioned that many small credit unions are operating with specific market niche. He further emphasized that the League can provide many valuable resources for training and addressing compliance issues. Mr. Sias, Mr. Smith, and Ms. Niebur from the Illinois Credit Union League provided state and federal updates on the legislative issues that affect our credit unions today and in the near future. The following highlighted topics were discussed:

State

Ms. Ashley Niebur (Director - ICUL, State Governmental Affairs) discussed the following bills:
HB 1792 Corporate Investments, Electronic Voting, Brand References, Par Value Reduction
HB 3282 Financial Institution Data Ownership
HB 2514 FHLB Information Sharing
HB 2642 Notification to Lean Holders on Vehicles

Ms. Niebur mentioned some Work-in-Progress activities on ATM Fees Cap, Grace Period Mortgage Foreclosure, and Unclaimed Property Act.

Federal

Mr. Keith Sias (SVP - ICUL, Governmental Affairs) pointed out about the extension of the Federal budget to September. 11 CUs currently receive and continue to need CDFI funding. Mr. Sias then briefly spoke about the Choice Act (Regulatory Reform) and the Tax Reform changes.

Mr. Patrick Smith (SVP - ICUL, Regulatory Affairs & Member Outreach) discussed about the Member Business Lending Rule which is effective as of May 1, 2017. Mr. Smith then briefed on the additional minimum capital requirement for the proposed Risk Based Capital rule which may be tied to interest rate risk, but NCUA had no mention lately.

New Business

Chairperson Alice Clements congratulated IDFPF Secretary Bryan Schneider for leading US regulatory agency to embrace block chain technology in our financial industries as was illustrated in *Banking Technology's* (3-22-17) article "Illinois Regulator Joins Global Distributed Ledger Consortium R3." Chairperson Clements further congratulated IDFPF Secretary Schneider for his recent appointment to the NASCUS Board. Afterwards, Supervisor Wade Cooper gave updates on the CU Loan Source Pilot Program.

Old Business

Chairperson Alice Clements congratulated IDFPF and DFI for obtaining NASCUS Accreditation in October 2016. She then commented briefly on IDFPF's adoption of new SAFE Mortgage Loan Originator Test for MLOs interested in holding licenses in multiple states. She further commended IDFPF for this new adoption, which should streamline supervisory processes while ensuring safety and soundness.

Chairperson Clements also quickly highlighted several Cyber security articles about targeted government organizations and other critical mega breaches:

- (Qtr 1 - 2017) Passeri, Paolo. "HACKMAGEDDON: Information Security Timelines and Statistics" *hackmageddon.com*. 05/03/17
- (2016) Jain, Rishabh. "Cyberattacks 2016: With Yahoo Breach and US Election Hack, 5 Times Internet Security Was Compromised" *IBT*. 12/15/16
- (Top payments & malware scams 2016) Rampton, John. "The Latest Payments Scams To Be Aware Of" *Inc.com*. 02/27/17

Chairperson Clements reminded the GAB members about the Ethics training requirements that all Board members must take annually and send the Acknowledgement of Participation to the appropriate office. Chairperson Clements thanked all board members for completing and submitting the The Statement of Economic Interest and The Supplemental Statement of Economic Interest which were sent out in March 2017.

Attendees Questions or Comments

Secretary Keith Burton asked for a moment of silence in memory of Mr. Donald Edwards, who died on April 19th, 2017. Mr. Edwards, Senior Vice President of Federal Government Affairs, worked at ICUL for 39 years and was a key driver for reinstating this Governor's Advisory Board. Afterwards, Secretary Burton congratulated Richard Lockhart, who worked 59 years for the state, on his retirement which was announced in House Resolution 112 on May 9, 2017.

Member Paul Gaumer inquired Secretary Bryan Schneider about the basic information and reference link to IDFPR's Illinois Financial Literacy Initiative ("IFLI") program. Secretary Schneider encouraged any interested group to visit the IFLI website and become an IFLI partner by contacting Terrence Walsh with IDFPR at 312-814-1696 or Terrence.Walsh@illinois.gov.

Vice Chairman Peter Paulson thanked IDFPR and DFI on being open and very supportive. Secretary Keith Burton thanked the League staff for their continual support. Secretary Bryan Schneider welcomed comments from the audience with regards to Member Business Rules and guidance with particular attention to soundness concerns based on concentrations or lack of diversification.

Chairperson Alice Clements thanked IDFPR Secretary Bryan Schneider, DFI Supervisor Wade Cooper, Ms. Colleen Stuart (Administrative staff - CU Section), Mr. Thomas Kane (President/CEO of ICUL), Mr. Steve Olson (EVP - ICUL, General Counsel & COO), Mr. Patrick Smith (SVP - ICUL, Regulatory Affairs & Member Outreach), Mr. Keith Sias (SVP - ICUL, Governmental Affairs), Ms. Ashley Niebur (Director - ICUL, State Governmental Affairs & Legislative Counsel) and all guests for attending this GAB meeting. Chairperson Clements especially thanked Mr. Paul Simons (President/CEO of Credit Union 1) for opening the conference room for this meeting. She also thanked Mr. Thomas Kane (President/CEO of ICUL) and Mr. Patrick Smith (SVP of ICUL) for hosting and setting up the lunch right after the GAB.

Next Meeting Dates (Nov 2017 & Spring 2018)

Tentatively scheduled for November 2017 at the IDFPR Offices in Chicago and Springfield. Spring 2018 meeting will be in Springfield.

Adjournment - Meeting adjourned at 11:36 A.M.