



I. Lise Kruse **JUL 27 2018**
Commissioner

Aaron K. Webb
Assistant Commissioner

Ryan Spah
Chief Examiner - Banks

Corey J. Krebs
Chief Examiner - Credit Unions

CSBS ACCREDITED 1993
NASCUS ACCREDITED 2000
CSBS/AARMR MORTGAGE ACCREDITED 2015

July 27, 2018

Ms. Vonette Richter
Code Revisor
North Dakota Legislative Council
State Capitol
600 East Boulevard, 2nd Floor
Bismarck, ND 58505-0360

Dear Ms. Richter:

Enclosed is the Notice Of Intent To Amend Administrative Rules Relating To Credit Unions, along with a copy of the proposed rules as required by N.D.C.C. § 28-32-10(1). The Department is republishing an updated version of rules previously filed with your office.

Sincerely,

Aaron Webb

Enclosures

STATE OF NORTH DAKOTA

BEFORE THE

COUNTY OF BURLEIGH

STATE CREDIT UNION BOARD

NOTICE OF INTENT TO ADOPT, AMEND, AND REPEAL ADMINISTRATIVE
RULES RELATING TO ADMINISTRATION OF STATE CHARTERED CREDIT
UNIONS

TAKE NOTICE that the State Credit Union Board will hold a public hearing to address proposed new rules and amendments to Title 13 of the N.D. Admin. Code as set forth herein. The hearing will be held on August 30, 2018 at 1:30pm in the Conference Room of the Department of Financial Institutions at 2000 Schafer Street, Suite G, Bismarck ND. The proposed new rules and amendments address the following:

Section	Description of Change	Purpose
13-03-02-02	Relating to requirements for advancement of money on security of real property – Amends rule to clarify the types and terms of insurance on real property and provides that the credit union may make limited exceptions for mortgages taken as an abundance of caution.	Administrative update – in part relating to changes in federal law and clarification of standard.
13-03-04-01	Amends the maximum investment in fixed assets permitted by state chartered credit unions.	Providing flexibility for smaller credit unions.
13-03-05-01	Amends merger procedure for state chartered credit unions by allowing Commissioner to temporarily suspend membership notice and vote until after State Credit Union Board acts on the application, if the merging credit union is a federally chartered institution; and amends notice requirements for mergers.	Administrative update – to address federal merger procedures and to further outline notification process.
13-03-06-01	Amends definition section to add definitions for “Commercial loan”, “Credit grading system”, “Credit risk rating system”, “Improved property loan”, “Total reserves”, “Retained earnings” and amends definition of “Net worth”.	Consistency with federal law and additional clarity in terminology.
13-03-06-02	Amends requirements for maintaining an allowance for loan and lease loss account to be consistent with requirements applicable to	Consistency with federal requirements.

	federally chartered credit unions.	
13-03-06-03	Amends requirements for calculation of allowance for loan and lease loss accounts.	Consistency with generally accepted accounting principles and federal law.
13-03-06-04	Amends the basis for prompt corrective actions to be consistent with requirements applicable to federally chartered credit unions.	Consistency with federal law.
13-03-06-05	Adopts a new rule setting forth requirements for a risk monitoring and credit grading system.	Consistency with federal law and clarification of standards.
13-03-08-03	Amends rule to extend the maximum authorized credit union policy time limit for taking action on overdrafts from 45 days to 60 days.	Administrative update – consistent with banking rules.
13-03-14-03	Amends publication requirements for applications to expand field of membership.	Administrative update – clarify notification process.
13-03-15-04	Amends publication requirements for applications to establish a branch.	Administrative update - clarify notification process.
13-03-16	Member Business Loan Limits – Repeal existing Chapter.	Federal law change – preemption.
13-03-20-01	Amends definition section to include the following definitions: “Associated borrower”, “Common enterprise”, “Control”, “Direct benefit”, and “Loan participation”, and amends definitions of “Credit union”, “Financial organization”, and “Originating lender”, and removes definition of “Participation loan”.	Consistency with federal law and additional clarity in terminology.
13-03-20-02	Amends requirements for a credit union to engage in Participation Loans.	Consistency with federal law and clarification of standards.
13-03-20-03	Creates a process for a credit union to apply for a waiver relating to participation loans.	Consistency with federal law and clarification of waiver process.
13-03-23-01	Amends rule to permit investment in a subsidiary credit union service organization.	Consistency with federal law

13-03-23-02	Creates a definition for “Subsidiary credit union service organization”.	Consistency with federal law and clarity in terminology.
13-03-23-05	Amends rule to include services and activities of subsidiary credit union service organizations.	Consistency with federal law
13-03-23-06	Amends rule to apply limitations on investments and loans to subsidiary credit union service organizations, and removes waivers for credit unions investing in a credit union service organization existing before December 1, 1992.	Consistency with federal law
13-03-23-07	Amends rule to clarify conflict of interest requirements are applicable to interactions with subsidiary credit union organizations.	Consistency with federal law
13-03-23-08	Amends rule to grant commissioner the authority to conduct examinations of subsidiary credit union service organizations, and extends written agreement requirement to investment in the subsidiary credit union service organization, and requires that a credit union organization or subsidiary obtain an annual financial statement audit.	Consistency with federal law
13-03-23-09	Creates a rule providing requirements for the structure of a credit union service organization and subsidiary.	Consistency with federal law
13-03-26-01	Creates definitions for “GAP analysis”, “Income simulation”, “Interest rate risk”, and “Net economic value”.	Consistency with federal law and clarity in terminology
13-03-26-02	Creates a rule setting forth interest rate risk policy and program requirements for credit unions.	Consistency with federal law and clarity of

		standards
13-03-27-01	Creates a rule requiring credit unions to have a policy on liquidity and contingency funding plans and policy requirements.	Consistency with federal law and clarity of standards
13-03-28-01	Creates definitions for “Cash basis”, “Charge-off”, “Cost recovery”, “Credit grading system”, “Deferral”, “Extension”, “In the process of collection”, “Loan classifications”, “New loan”, “Past due”, “Re-age”, “Recorded investment in a loan”, “Renewal”, “Rewrite”, “Total reserves”, “Troubled debt restructure”, Well secured”, “Workout loans” relating to loan workouts, modifications, and nonaccrual.	Consistency with federal law and clarity in terminology
13-03-28-02	Creates a rule for loan workout policy and monitoring requirements.	Consistency with federal law and clarity of standards
13-03-28-03	Creates a rule relating to reporting requirements for past due status workout loans and troubled debt restructure status.	Consistency with federal law and clarity of standards
13-03-28-04	Creates a rule listing requirements for loan nonaccrual policies.	Creating more consistency with federal law and clarity of standards

The proposed rules, amendments and repeals are not expected to have an impact on the regulated community in excess of \$50,000.

The proposed rules may be reviewed at the office of the Department of Financial Institutions, 2000 Schafer Street, Suite G, Bismarck, ND 58501-1204 or by visiting our website at www.nd.gov/dfi. A copy of the proposed rules and/or a regulatory analysis may be requested by writing the above address, calling 701-328-9933 or submitting your request by email at dfi@nd.gov. Written or oral comments on the proposed rules may be sent to the above address, telephone number, or email address and must be received no later than September 12, 2018, to be considered.

If you plan to attend the public hearing and will need special facilities or assistance relating to a disability, please contact the Department of Financial Institutions at the above telephone number or address at least five days prior to the public hearing.

Dated this 27th day of July, 2018.

STATE CREDIT UNION BOARD

Aaron Webb, Secretary