

Chairman Louser, members of the House IBL Committee, I am Tim Karsky, Executive Director of Correspondent Banking at Choice Bank, and I am a former FDIC examiner; and with the State of North Dakota, I was Chief Examiner - Banks, Assistant Commissioner and Commissioner for the Department of Financial Institutions. While at the DFI, I served as Chairman for both the State Credit Union Board and State Banking Board (2001 to 2010). I am here today to ask you to give a DO NOT PASS, for Engrossed SB 2266.

As you are aware, the bill will give state-chartered, community-based credit unions a 125-mile radius of the credit union for a "field of membership". The radius will be from the home office in the Engrossed bill as amendments were added to the original bill.

I do not have any problems with credit unions opening a branch in their current field of membership to serve their current customers but I do not see any reason to expand their Field of Membership further. I do not believe there is any citizen in North Dakota that does not have access to a credit union or several credit unions. I also wonder if the expansion by larger credit unions will have a negative impact

on the smaller credit unions in North Dakota. Again, nobody has really given a good reason why this bill is needed.

One of the main reasons for the dual banking and credit union systems is to allow states to regulate the charters in their individual states. There are many laws that are different between state and federal credit unions and the individual credit union decides under what charter they would like to operate under and whom their regulator will be. Many pick the state charter because of a regulator they have access to and knows their individual states economy and the types of business that is conducted. I am sure the state credit union examiners understand the agricultural economy better the national examiners. I have heard the threat about changing charters many times over the years when I was a both the Assistant Commissioner and Commissioner. Some state charters switched to a federal charter and some federal to a state. That is what makes the system work. I personally believe that every credit union organized had the option of being a state or federal charter and knew the difference in the field of membership at that time.

In regard to membership, I do believe credit unions should have a well-defined field of membership, and I think the amendments in 2005 gave them what was needed and it also stopped the leap frogging across the state by branching. I felt

these changes made the Departments of Financial Institutions handling of the applications easier and eliminated the threats of legal action by the banking industry.

One last comment is that banks have to comply with CRA, the Community Reinvestment Act while state-chartered credit unions are not examined for this law. Our bank is subject to a very strict examination of this law (separate examination). If we get a poor rating in this examination, we may not be able to merge or branch until we get a better rating. We currently budget \$450,000 just in CRA donations to help meet the requirements of the law. In addition, we have one full time employee and some part time help in this area. In just direct salaries, travel, and training this adds another \$125,000. This would not include the mandatory training for all employees and the time keeping track of these loans and the cost of outside audits. It is very costly and time consuming. There are also other federal laws and regulations that apply to and impose costs on state and national banks that do not apply to credit unions.

If credit unions want to continue to expand their powers and membership area, I think we should consider treating them like a bank. All I want is to compete fairly. I have lost business loans because a credit union has underpriced my bank, and if

they had to bear the additional operating costs that banks incur credit unions would have a less of an advantage. When this happens, my bank's earnings decrease and so does our tax liability, which in turn decreases revenue for the state of North Dakota.

Thank you for the opportunity to testify today and I would be happy to answer any questions you may have.

Tim Karsky

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