

Chairman Larsen, members of the IBL Committee, I am Tim Karsky, Executive Director of Correspondent Banking at Choice Bank, and I am a former 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 SB 2266.

As you are aware, the bill will give state-chartered, community-based credit unions a 250 mile radius of the credit union for a "field of membership". I assume the radius will be from the home office, but line 18 of the bill deletes the words "the home office". Irrespective of the 250-mile radius issue, this deletion creates an ambiguity about whether the field of membership is measured from the home office or any branch. I don't think they should be given the 250-mile radius of the branch either.

I am also confused why the verbiage on page 2 line 4 and 5 is deleted about a branch not being able to expand the field of membership. The current language clearly stated this could not expand the field of membership. I do not have any

problems with credit unions opening a branch in their current field of membership to serve their current customers.

I also have questions why subsection 4 is added on Page two of the bill which adds language that the state credit union board may authorize a state-chartered credit union the same field of membership as a federal credit union. 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 regulator. 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. It appears to me that the industry wants this ability to leap frog again by the amendments in this bill with many credit unions having already done so. I also believe that there is no individual in North Dakota that can't belong to a credit union that serves the geography where they reside.

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.

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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