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2003 SENATE INDUSTRY, BUSINESS AND LABOR

SB 2183

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2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2183

Senate Industry, Business and Labor Committee

Conference Committee

Hearing Date 1-20-03

Tape Number	Side A	Side B	Meter #
1	xx		0-724 e

Committee Clerk Signature *Lisa VanBerkom*

Minutes: Chairman Mutch opened the hearing on SB 2183. Senator Krebsbach was absent.

SB 2183 relates to maintaining a reserve fund for state-chartered credit unions.

**Testimony in support of SB 2183**

Senator Carolyn Nelson representing district 21 introduced the bill. It was brought to her by the credit union. She introduced Tim Karsky to discuss the bill.

Tim Karsky, Commissioner for the Department of Financial Institutions, spoke in support of SB 2183. See attached written testimony.

Senator Klein asks if this bill will mirror the federal charter.

Tim Karsky replies that that is correct.

Greg Tschider of the ND Credit Union League. He states that there are 64 credit unions in the state of ND and 25 federal credit unions. Greg explained how the state law says you can not invade capitol accounts to pay dividends. What they are asking in the bill is to permit the ND

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Senate Industry, Business and Labor Committee

Bill/Resolution Number 2183

Hearing Date 1-20-03

Credit Union Board to permit the credit unions to invade the capitol accounts in order to pay the dividends.

Senator Espegard asks if it is interest or dividends.

Greg replies that they call them dividends, however they are the same and recorded on 1099 forms to the government.

No opposing testimony

Hearing closed.

Senator Heitkamp moves a DO PASS. Senator Espegard seconded.

Roll Call Vote: 6Yes. 0 No. 1 Absent.

Carrier: Senator Klein

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REPORT OF STANDING COMMITTEE (410)  
January 20, 2003 12:48 p.m.

Module No: SR-10-0763  
Carrier: Klein  
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE  
SB 2183: Industry, Business and Labor Committee (Sen. Mutch, Chairman) recommends  
**DO PASS** and **BE PLACED ON THE CONSENT CALENDAR** (6 YEAS, 0 NAYS,  
1 ABSENT AND NOT VOTING). SB 2183 was placed on the Tenth order on the  
calendar.

(2) DESK, (3) COMM

Page No. 1

SR-10-0763

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2003 HOUSE INDUSTRY, BUSINESS AND LABOR

SB 2183

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2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2183

House Industry, Business and Labor Committee

Conference Committee

Hearing Date March 5, 2003

Tape Number	Side A	Side B	Meter #
1		x	20.0-32.7
Committee Clerk Signature <i>Jedrick Hammer</i>			

Minutes: **Chairman Keiser** opened the hearing on SB 2183.

**Senator Carolyn Nelson**, District 21, introduced and testified in support of SB 2183.

(See attached #1)

**Tim Karsky**, Commissioner for the Department of Financial Institutions, testified in support of SB 2183. (See attached #2)

**Rep. Klein:** Please give me an example of how this changes it from the board.

**Karsky:** This allows small credit unions to withdraw enough money to pay dividends, with the approval of the State Credit Union Board, and still maintain an adequate credit ratio.

**Rep. Klein:** How is an adequate reserve determined? By percentage? And who determines that?

How many members are on your board? Who are they?

**Karsky:** The State Credit Union Board has a general policy, less that 6% you have to have a plan to show how they will get their capital back up. Our board has five members. I'm the chairman,

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*Jedrick Hammer*  
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01/17/03  
Date

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House Industry, Business and Labor Committee  
Bill/Resolution Number SB 2183  
Hearing Date March 5, 2003

appointed by the Governor. the members at large are Erv Munn from St. A's Credit Union,  
Chuck Gates of Grand Forks, Judy Molar of Fargo, and Steve Tunneson of Minot.

**Rep. Dosch:** How does the oversight work, does the State Banking Board oversee the State  
Credit Union Board?

**Karsky:** The banking board would love the ability to supervise the credit unions, but in  
actuality, there are two separate boards: The State Banking Board and the Credit Union Board  
that is charged with supervising the state chartered credit unions.

**Greg Tschider, representing the North Dakota Credit Union League,** testified in support of  
SB 2183. Those smaller credit unions that have assets of less than a million dollars have unique  
situations. What has happened over the years is that their reserve funds have built up but those  
reserves can't be tapped into, it's sitting there. Their retained earnings aren't sufficient under  
current law to permit them to pay interest to their members. If the Board determines from a safety  
and soundness aspect that certain moneys could be moved from the reserve fund to the retained  
earnings account the interest can be paid out.

**Rep. Klein:** Does this reduce that 6% reserve referred to earlier? Is the reserve in excess of 6%?

**Tschider:** No, it does not. Yes, it is in excess of 6%. When the regulations came out and  
basically said all North Dakota Credit Unions are insured by the Feds, the Feds obviously have  
certain controls. If you don't need the reserve requirements they can cancel the insurance and if  
that happens, you have to go out of business. Looking at reserves from the federal perspective to  
calculate that 6%, they take all the reserve accounts, add it all up and compare it to total assets  
and then you have to have at least 6%. Actually, there is now a related policy that if you are less

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House Industry, Business and Labor Committee  
Bill/Resolution Number SB 2183  
Hearing Date March 5, 2003

than 7%, you have to come up with a plan of action to get the reserves back up to 7%. But if it's under 6%, then they get real excited.

**Rep. Klein:** Where are these reserves held?

**Tschider:** They are set aside and can't be used. This bill would permit small credit unions to tap into that reserve. It's all an accounting issue. As long as you meet percentage requirements and have no safety and soundness issues, small credit unions could use the reserve account to pay interest.

**Rep. Ekstrom:** How many institutions are affected by this?

**Tschider:** This legislation would affect only two institutions in the state whose assets are less than a million dollars. I can't tell you who they are because that's not public information. I'd need permission from their boards of directors to talk about their finances.

**Karsky:** The two credit unions have capital reserves in excess of 10½ %, so we're talking about moving a couple hundred thousand dollars.

As there was no one else present to testify either in support of or in opposition to SB 2183, the hearing was closed.

**Rep. Nottestad moved a Do Pass.**

**Rep. Thorpe seconded the motion.**

**Results of the roll call votes were: 13-0-1.**

**Rep. Nottestad will carry this bill on the floor.**

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Date: 3/5/03  
Roll Call Vote #:

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 2183

House INDUSTRY BUSINESS & LABOR Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do Pass

Motion Made By Nottestad Seconded By Thorpe

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser	✓		Boe	✓	
Vice-Chair Severson	✓		Ekstrom	✓	
Dosch	✓		Thorpe	✓	
Froseth	✓		Zaiser	✓	
Johnson	✓				
Kasper	✓				
Klein	✓				
Nottestad	✓				
Ruby	✓				
Tieman	✓				

Total (Yes) 13 No 0

Absent 1

Floor Assignment Nottestad

If the vote is on an amendment, briefly indicate intent:

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**REPORT OF STANDING COMMITTEE (410)**  
March 5, 2003 11:48 a.m.

Module No: HR-39-3936  
Carrier: Nottestad  
Insert LC: . Title: .

**REPORT OF STANDING COMMITTEE**  
SB 2183: Industry, Business and Labor Committee (Rep. Keiser, Chairman) recommends  
DO PASS (13 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). SB 2183 was placed  
on the Fourteenth order on the calendar.

(2) DESK, (3) COMM

Page No. 1

HR-39-3936

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2003 TESTIMONY

SB 2183

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1-20-03

*Some given to Mue*

TESTIMONY FOR SENATE BILL NO. 2183

Chairman Much and members of the Senate Industry Business and Labor Committee, my name is Tim Karsky, Commissioner for the Department of Financial Institutions. I am here this morning to urge your support for Senate Bill No. 2183.

As you will note, Senate Bill No. 2183 changes the way that Credit Unions can take money out of a reserved fund by eliminating the word liquidation and adding the language prior approval of the State Credit Union Board. This change will allow Credit Unions that have adequate reserves with the majority of their capital in the regular reserve account which has been set aside for future loan losses to be transferred back to the Credit Union's undivided earnings account.

Currently Federal Chartered Credit Unions have the ability to transfer funds from their regular reserve to their undivided earnings account. This will also allow State Chartered Credit Unions the ability to do this if they have asked for approval from the State Credit Union Board. The Department currently has several credit unions that have a large portion of their capital accounts in their reserve fund but do not have sufficient funds in their undivided earnings account to pay dividends to their members. This change would allow for the credit union to pay these dividends yet maintain capital at adequate standards and would give the State Credit Union Board and the Department to deny this transfer if it was a safety and soundness concern.

Mr. Chairman and members of the committee I would be happy to answer any questions you may have concerning Senate Bill 2183 and I would urge your favorable support.



Senator Carolyn Nelson  
 District 21  
 1125 College Street  
 Fargo, ND 58102-3433  
 cnelson@state.nd.us

# NORTH DAKOTA SENATE

STATE CAPITOL  
 600 EAST BOULEVARD  
 BISMARCK, ND 58505-0360



COMMITTEES:  
 Judiciary  
 Government and Veterans Affairs

## Introduction to SB 2183 – Credit Unions

Mr. Chairman Keiser, members of the House IBL committee, my name is Carolyn Nelson, state senator, District 21, Fargo. As a disclaimer, I am a member of the Northland Educator's Credit Union in Fargo.

SB 2183 changes the way state chartered credit unions maintain their reserve funds.

This bill has the support of the Department of Financial Institutions. Representatives of the Department and members of the Credit Union League are here to talk about the bill and answer any questions you may have.

I, too, would appreciate your positive consideration of SB 2183.

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