

MAY 10 2012

May 8, 2012

Mr. John Walstad  
Code Revisor  
North Dakota Legislative Council  
State Capitol  
600 East Boulevard, 2nd Floor  
Bismarck, ND 58505-0360

Dear Mr. Walstad:

Enclosed is the Notice Of Intent To Adopt, Amend And Repeal Administrative Rules Relating To Credit Union Procedure, Real Property Security, Investments, Mergers, Corrective Action, Instruments, Branching, Loans, Obligations, And Service Organizations, along with a copy of the proposed rules as required by N.D.C.C. § 28-32-10(1).

Sincerely,



Aaron Webb

Enclosures

NOTICE OF INTENT TO ADOPT, AMEND AND REPEAL  
ADMINISTRATIVE RULES RELATING TO CREDIT UNION PROCEDURE, REAL  
PROPERTY SECURITY, INVESTMENTS, MERGERS, CORRECTIVE ACTION,  
INSTRUMENTS, BRANCHING, LOANS, OBLIGATIONS, AND SERVICE  
ORGANIZATIONS.

TAKE NOTICE that the ND Department of Financial Institutions – ND State Credit Union Board will hold a public hearing to address proposed changes to the N.D. Admin. Code at 10:00 a.m. on Wednesday, June 20, 2012 at the Department of Financial Institutions, 2000 Schafer Street, Suite G, Bismarck N.D., 58501. The proposed new rules and amendments address the following:

Section	Description of Change	Reason for Change
13-03-01.1-02	<b>Communications</b> - Provides correspondence and filings may be submitted to the Credit Union Board via fax or email.	Administrative update
13-03-02-02	<b>Requirements for advancement of money on security of real property</b> - Removes reference to corporate central credit unions; amends appraisal regulation to conform to federal regulation and FFIEC guidance; amends specific requirement as to value of fire and tornado insurance; and removes requirement relating to credit union receipt of abstract of title in real estate loans exceeding two hundred and fifty thousand dollars.	Administrative update
13-03-02-04	<b>Limitation on amount loaned to one member.</b> - repealed	Duplication of N.D.C.C. 6-06-12
13-03-02-07	<b>Exceptions</b> – amends capital measurement by replacing “total equity capital and reserves” with “net worth”.	Administrative update
13-03-03-01	<b>Individual investment limitation - Total investment limitation</b> – Removes reference to corporate central credit union; clarifies that the investment limitation applies to the aggregate of total paid in shares and deposits; and provides for an exemption process.	Administrative update
13-03-04-01	<b>Maximum investment in fixed assets to be determined by state credit union board</b> -	Administrative update

	Removes reference to corporate central credit union.	
13-03-05-04	<b>Considerations for approval</b> – Amends factors to be considered in a merger application, and provides board with the authority to waive application requirements or considerations for approval when the merging credit union is a failing institution as defined in under N.D.C.C. § 6-06-08.2.	Administrative update
13-03-06-01	<b>Definitions</b> – Adds definitions for “Net Worth”, “Net Worth Restoration Plan”, “Quarterly reserve requirement”, “Risk Based Net Worth Requirement” and “Total Assets”. Amends definition of “Net Worth Ratio”.	Administrative update
13-03-06-02	<b>Maintaining an allowance for loan and lease loss account</b> – Amends general authority and law implemented references.	Administrative update
13-03-06-03	<b>Calculation</b> – Provides a non-substantive change to reference relating to the Commissioner, and amends general authority and law implemented references.	Administrative update
13-03-06-04	<b>Prompt corrective action</b> - Amends general authority and law implemented references	Administrative update
13-03-08-03	<b>Credit applications and overdrafts</b> – Adds a new section establishing requirements relating to the treatment of credit applications and overdrafts.	Administrative update
13-03-15-04	<b>Application to establish a branch</b> – Amends factors to be considered by the board when reviewing a branching application.	Administrative update
13-03-15-06	<b>Notice regarding closing of a branch</b> – Adds a new section providing advance notice to the commissioner and the credit union membership when a credit union intends on closing a branch.	Administrative update
13-03-16-01	<b>Definitions</b> – Amends definition of “Member business loans” and “Net worth”.	Administrative update
13-03-16-02	<b>Requirements</b> – Amends requirements for minimum limits and policies relating to member business loans.	Administrative update - Creates more consistency with federal

		regulations.
13-03-16-03	<b>Loan limits</b> – Removes duplicative language relating to “net worth”.	Administrative update - Removes monitoring requirements that are currently provided for under federally mandated call reports.
13-03-16-04	<b>Allowance for loan losses</b> – Removes language relating to allowance for loan losses, and provides that a credit union will calculate and fund these allowances as outlined in under N.D.A.C. § 13-03-06. Provides that credit unions will need to establish and maintain adequate grading systems.	Administrative update
13-03-16-05	<b>Construction and development lending</b> – Amends regulations relating to aggregate limitations and equity interest in construction and development lending.	Administrative update – Creates consistency with federal laws.
13-03-16-06	<b>Prohibitions</b> – Provides that a credit union may not make a member business loan to a compensated director unless the credit union board approves the loan and the compensated director is recused from the decision making process.	Administrative update - Creates consistency with federal regulations.
13-03-16-08	<b>Aggregate loan limit</b> – References the exceptions to the aggregate loan limit established under N.D.A.C. section 13-03-16-09. Removes language which is now covered under the definition of “member business loan”.	Administrative update
13-03-20-01	<b>Definitions</b> – Amends definition of “Financial organization” to include “any entity or association created under authority of the Farm Credit Act of 1971, as amended”.	Administrative update
13-03-20-02	<b>Authorization</b> – Amended to include a credit union’s loan committee within the class of parties which can operate under the board’s delegated power.	Administrative update
13-03-21-02	<b>Authorizations</b> –Removes reference to pooling	Administrative

	of loans, and replaces it with more general statements relating to the sale of real estate loans to the secondary market. Includes a credit union's loan committee and credit manager within the class of parties able to approve purchases, sales and pledges of eligible obligations.	update
13-03-23-02	<b>Definitions</b> – Removes definition of “Equity” and adds definition of “Net worth”.	Administrative update
13-03-23-03	<b>Application</b> – Amends the subject matter requiring an application under the section and amends the application process and criteria, allowing the commissioner to approve, disapprove or submit an application to the State Credit Union Board for review. Provides due process for a credit union whose application is denied.	Administrative update
13-03-23-05	<b>Permissible services and activities</b> – Reorganizes the permissible activities of a Credit Union Service Organization, with the addition of appraisal services. Creates notification to commissioner upon any change in credit union service organization operations. Grants the State Credit Union Board the exclusive authority to approve additional activities not expressly included within the permissible activities. Provides the commissioner and State Credit Union Board with the authority to limit activities conducted by a credit union service organization.	Administrative update
13-03-23-06	<b>Limitations on investments in credit union service organizations</b> – Amends title to reflect section content. Replaces the term “equity” with “net worth”. Removes language that is addressed in the proposed amendment to N.D.A.C. § 13-03-23-05.	Administrative update
13-03-23-08	<b>Examinations</b> – Provides requirements relating to the content of a written agreement between a credit union and a credit union service organization.	Administrative update

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

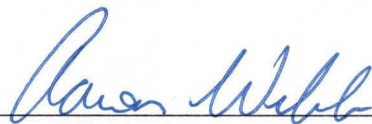
The proposed rules may be reviewed at the below referenced address or by visiting our website at [www.nd.gov/dfi](http://www.nd.gov/dfi). A copy of the proposed rules may be obtained by writing, calling, or emailing:

Department of Financial Institutions  
2000 Schafer Street, Suite G, Bismarck, ND 58501-1204  
Phone: 701-328-9933  
Email: [dfi@nd.gov](mailto:dfi@nd.gov).

Written or oral comments on the proposed rules may be entered at the hearing, or sent to the above address, telephone number, or email address. Written or oral comments must be received no later than 5:00 p.m. on Monday, July 2, 2012, 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 three days prior to the public hearing.

Dated this 8th day of May, 2012.

STATE CREDIT UNION BOARD

  
\_\_\_\_\_  
Aaron Webb, Secretary