

DEPARTMENT OF FINANCIAL INSTITUTIONS
MINUTES OF MEETING
SEPTEMBER 8, 2011

The Members of the Department of Financial Institutions met at 10:00 a.m., EST, at 30 South Meridian Street, Suite 300, Indianapolis, Indiana. Attending the meeting from the Department were: David H. Mills, Director; James M. Cooper, Deputy Director, Bank Division and Assistant Secretary; Connie Gustafson, Assistant Counsel; Kirk J. Schreiber, Senior Bank Analyst; Gina R. Williams, Deputy Director, Administration Division; Mark Powell, Supervisor, Credit Union Division and Sharmaine Stewart, Administrative Assistant.

I. PUBLIC SESSION:

- A. Members Present: Richard J. Rice, Chairman; Michael W. Davis; Donald E. Goetz; Paul R. Sweeney; Jean L. Wojtowicz and David H. Mills, Director.
- B. Date of next meeting: October 13, 2011@ 10:00 a.m., at the Indiana Department of Financial Institutions, 30 South Meridian Street, Suite 300, Indianapolis, Indiana.
- C. Chairman Rice entertained a motion to approve the minutes for August 11, 2011 meeting. Mr. Sweeney moved approval of the minutes; Mr. Goetz seconded the motion, and the motion passed unanimously

D. BANK AND TRUST DIVISION:

1. First Federal Savings Bank, Evansville, Vanderburgh County, Indiana

Mr. Kirk Schreiber, Senior Bank Analyst presented this application. Mr. Schreiber informed the Members that First Federal Savings Bank had filed an application to convert from a federally chartered savings bank to a state chartered commercial bank pursuant to IC 28-1-21.6. As part of the Plan of Conversion, the bank intends to retain its name First Federal Savings Bank.

Mr. Schreiber informed the Members that the staff has determined that the resulting commercial bank would operate in a safe, sound, and prudent manner. The proposed charter conversion would not result in a commercial bank that has inadequate capital, unsatisfactory management, or poor earnings prospects. Management and other principals are qualified by character and financial responsibility to control and operate the resulting commercial bank in a legal and proper manner. The interests of the depositors, creditors and the public would not be jeopardized by the charter conversion.

Mr. Sweeney asked if the bank could keep Federal in its name after the conversion. Mr. Schreiber responded that Section 723 of the Gramm-Leach-Bliley Act did allow Federal savings associations to retain the term Federal in its name if the institution remains an insured depository institution.

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Mr. Sweeney asked why the bank wanted to convert from a federal savings bank to a state chartered commercial bank. Mr. Schreiber responded that due to the termination of the OTS, many of the thrifts are reviewing their options on whether they wanted to be regulated by the OCC or the state. Mr. Cooper added that he and Director Mills made a presentation to the Indiana Bankers Association concerning the advantages of a state charter to a group of 17 or 18 thrift institutions earlier this year. Due to the termination of the OTS, we may get several thrifts converting.

A motion for approval of the conversion was made by Mr. Davis and seconded by Ms. Wojtowicz. The application was unanimously approved.

E. CREDIT UNION:

1. Beacon Credit Union, Wabash, Wabash County, Indiana

This application was presented by Mark K. Powell, Supervisor, Credit Union Division. Beacon Credit Union (BCU) has applied to the Members of the Department of Financial Institutions for approval of their request for parity with federally chartered credit unions in order to acquire business-owned life insurance (BOLI) to partially fund a health plan that provides health benefits to employees.

Mr. Powell stated that IC 28-7-1-9.2 allows the Members of the Department under certain conditions to grant to Indiana State chartered credit unions the ability to engage in activities that are approved for federally chartered credit unions, but not specifically allowed for Indiana state chartered credit unions.

Mr. Powell continued by explaining that IC 28-7-1-9.2(d) provides that the Members may deny the requested rights and privileges if they find that:

1. Federal credit unions domiciled in Indiana do not possess the requested rights and privileges. BCU provided four separate NCUA legal opinion letters establishing that a federally chartered credit union may invest in otherwise impermissible investments to fund employee benefit plans.
2. The exercise of the requested rights and privileges by the credit union would adversely affect the safety and soundness of the credit union. BCU included extensive documentation provided by Burns, Fazzi, Brock & Associates the third-party vendor, that has designed the health plan funding program for BCU representing that the funding program will not adversely affect the safety and soundness of the credit union.
3. The exercise of the requested rights and privileges by the credit union would result in an unacceptable curtailment of consumer protection. BCU stated in their submitted documentation that in their opinion consumer protection for their membership would be improved due to BCU's increased ability to off-set health plan costs through the earnings created by the BOLI investments.

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4. The failure of the Department to approve the requested rights and privileges will not result in a competitive disadvantage to the credit union. BCU contended in their documentation that without the earnings provided by the BOLI investments they will be unable to provide the competitive health benefits plan that will be necessary to attract or keep key employees.

Mr. Powell further suggested that the limits for this type of program placed upon commercial banks by the Department (15% of capital in any one insurance provider and a total of 25% of capital in all insurance providers) be placed upon the program presented by BCU.

Ms. Wojtowicz made a motion for approval which was seconded by Mr. Goetz. The motion to approve the parity request to acquire business-owned life insurance (BOLI) by Beacon Credit Union was unanimously approved.

F. DIRECTOR'S COMMENTS AND REQUESTS :

1. Members' review and discussion of the Boards & Commissions Questionnaire.

G. ACTIONS BY DELEGATED AUTHORITY:

1. Director Mills advised the members of actions taken pursuant to Delegated Authority since the last members meeting.

Other Business: Chairman Rice asked if there was other business. There being no further business, Chairman Rice entertained a motion to adjourn. Mr. Sweeney moved that the meeting be adjourned, Mr. Davis seconded the motion, and the motion passed unanimously.

APPROVED:

ATTEST:

Richard J. Rice, Chairman

James M. Cooper, Assistant Secretary