

MINUTES

STATE BANKING BOARD OF ILLINOIS

Meeting of Monday, July 14, 2014

Via Video Conference and Conference Call

**Illinois Department of Financial and Professional Regulation
Division of Banking
100 West Randolph, Suite 900
Chicago, IL 60601**

and

**Illinois Department of Financial and Professional Regulation
320 Washington Street, Room 258
Springfield, Illinois**

MEMBERS PRESENT

State Banking Board of Illinois

In Person

Sheila Henretta, Acting Director
Division of Banking

Mark G. Field, President
The Farmers Bank of Liberty
Liberty, Illinois

James B. Jurgens, President
State Bank of Arthur
Arthur, Illinois

Dory Rand
Public Member
Chicago, Illinois

Andy Salk, President
First Eagle Bank
Chicago, Illinois

Mike Polanski, Chairman of the Board
Village Bank & Trust
Arlington Heights, Illinois

Staff Present

Scott Clarke, Assistant Director
Division of Banking

Marc Edwards, Manager
Bank and Thrift Supervision

Kara Ervin
Associate Deputy General

Thomas Olsen
Legal Counsel

Deboree Dixon
Administrative Assistant
Division of Banking

Members of the Public

CALL TO ORDER

Division of Banking Acting Director Sheila Henretta called the meeting to order at 1:03 pm. Acting Director Henretta started by introducing herself stating that she has over 17 years experience in corporate finance and mergers and acquisitions and commercial transactions. She started off as a lawyer in New York City in a very large international law firm, Jones Day, before coming to the State. She indicated she has experience relevant to what we do in the Division of Banking such as capitalization, investment corporate investments. She has experience on the regulatory compliance side. This is her first experience in being on this side of the table. Prior to this position, the Acting Director was in the Governor's office for 4 years, serving as the Deputy Director and General Counsel of the Office of Management and Budget. She included she believed it was important for consumers to be protected and banks are working on a level playing field.

Director Henretta welcomed all of the members of the board and members of the public who were attending today.

Reported current on all exams. 90% of state banks have a 1-2 composite rating, Chicago metro area banks still have 45% of banks with a 3, 4, or 5 rating.

The Director indicated that the State along with the Federal Reserve levied a civil monetary penalty against Cole Taylor Bank who was operating in conjunction with Higher One. Higher One provided services on college campuses took over the Financial Aid process of college students' money and the disbursements of their money. The problem was that Higher One was not explaining to the students their options with the money they received. There were numerous deceptive practices per the Federal Reserve and the State joined in. Cole Taylor Bank provided the bank accounts. Cole Taylor did not properly monitor the Higher One relationship.

Acting Director Henretta stated that her general vision is to continue to focus on outreach, focus on staff and training programs. She also stated that we will focus on cybersecurity.

Introduction of Members and Guests

Division staff introduced themselves.

Deboree Dixon, Administrative Assistant, will take the minutes. Belinda Daughtery retired after working for the State for over 30 years.

Thomas Olsen, Legal Counsel, has been with the agency for 10 months. He has prior experience with a law firm. He worked with litigation with mortgages and worked at Northern Trust prior to law school.

Kara Ervin, Associate Deputy General Counsel, has been with the State for 6 months, law firm commercial finance transactions prior.

Marc Edwards, Manger, Bank and Thrift Supervision and Scott Clarke, Assistant Director of the Division, have been with the agency in excess of 30 years.

Approval of Minutes of Prior Meetings

Scott Clarke stated the lack of a quorum and that the Board would delay on any matters requiring a vote. No updates or changes for the minutes of January 13, 2014 meeting of the State Banking Board of Illinois. No updates or changes for the minutes of April 14, 2014 joint meeting of the State Banking Board of Illinois, the Board of Savings Institutions, and the Residential Mortgage Board. Will save approval of minutes for future agendas.

Review of the Financial Statement of the Illinois Bank Examiner Education Foundation as of June 30, 2014

Reviewed documents included, but could not take actions due to not having a quorum. Very few expenditures out of the IBEEF fund, Bank and Trust fund for training.

Report on Training Activities of the Bank Examination Personnel

Scott Clarke reported on the training provided to agency examiners. A training attachment with dates, locations, and who attended was included.

Scott Clarke stated that the IDFPR, Division of Banking, Banks, Trust Companies and Savings Institutions 2014 Examiners' Conference- Illinois Education Association Professional Development Center was held in Springfield, IL June 17-19, 2014.

Scott Clarke reported that the training related to the new CFPB mortgage rules was held April 21 to April 25, 2014, in Chicago, IL.

Old Business

Acting Director Henretta stated that there was no old business to discuss at this time.

Legislative Update

Kara Ervin reported that the Public Funds Deposit Act that passed signed by the Governor, July 7, 2014. She reported that the Omnibus bill went to the Governor on June 27, repealed to the Illinois Savings and Loan Act. The Savings Act Bank redefined "out of state savings bank" and created different rules about joining the board of a savings bank. No longer are 2/3 of the Directors of a savings bank required to be residents of Illinois. No major changes to how the funds operate with the State Finance Act. There were some changes to the Illinois Banking Act with respect to voluntary dissolution. Previously the Illinois Act required a time frame for banks electing to do a voluntary dissolution, now it's only under certain circumstances such as if they are not being bought by another bank. Every bank would have to pay a fee for voluntary dissolution and they would also have to reimburse the department individually for any expenses for the dissolution process. A couple of changes to Residential Mortgage License Act removed bank trust and pension trust from exemption, so now, only those entities need to be required to get a license under the mortgage licensing. Finally, there was a change to the Residential Real Property Disclosure Act which puts the requirement on the borrower to get a HUD approved counseling agency and it must be done in 10 days. Kara stated that the Patent Trolling Bill amends the Consumer Fraud Act, where it actually criminalizes Patent Trolling. The Consumer Deposit Act amended the rule where you had to start a checkbook with 101 when opening a new account. Those acts and bills are sent with the Governor, currently. Another bill mandates that the Secretary of IDFPR has to come up with rules to assure consistency and due process and examination process.

Thomas Olsen reported that the Hazard Insurance Bill was sent to the Governor in late June and makes sure that there's no conflict between the Illinois law and CFPB rules. The law creates a voluntary procedure for reverting a manufactured home when it's permanently fixed on land. Thomas reported the Child Support Payments Bill changed. When you use a card at the ATM, a fee cannot be taken out for child support payments. Finally, the Financial Exploitation of the Elderly Bill amends the definition of "financial exploitation" to include fiduciaries taking care of the elderly. This allows for civil action. The court is given discretion for beneficiaries of the will that commit financial exploitation.

Once the Governor has taken action with the bills we will circulate a memo.

The Legislative Update handout was included.

Update of the Financial Condition of Illinois Banks

Scott Clarke stated that the included chart that shows the number of 1, 2, 3, 4, and 5 rated banks and how that has changed. A summary of the report was given by Acting Director in her opening of the meeting.

Update of Mergers of Illinois Banks and Conversion Activity

Acting Director Henretta reported that year to date there were 31 mergers completed or pending. 2 trust company mergers; 9 bank mergers with all but 1 state bank surviving; 1 conversion from federal thrift to state thrift; 2 failures this year, no depositors lost money. Pending 1 conversion state savings bank to state commercial bank; 20 mergers pending, 2 out of state banks merging with Illinois banks, 2 will end up being national banks. We may see an application for a bank with trust powers. Year to date down 4 banks with 391 total banks in the state.

New Business

Discussion of limited purpose banks- Scott Clarke stated we have been approached by a large financial service provider who is interested in doing trust activities. They do not have trust powers currently. They want to form a state chartered bank, restricted to trust powers. They have no plan to accept deposits and would receive an order prohibiting accepting deposits, but get a bank charter. The challenges are that they do not have FDIC insurance; if the entity fails the department would be responsible for serving as the receiver and all expenses associated with the liquidation.

Discussion of Voluntary Dissolution of Banks- Scott Clarke stated 3 institutions that have expressed interest in voluntary dissolutions because they have no merger partners and unable to find one due to no franchise value or previous situations engaged in other activities that were high risk. Current statutory frameworks somewhat complex and outdated, the legal period of time to deposit funds with us and pay 2% on first \$5,000 in assets is an old statute. Thomas Olsen reported that we are looking to work in legislation, change to standard application fee in case we need to hire outside law firm, etc. Alleviate a lot of the 6 year process as well as other insufficiencies associated with the LLC merging and dissolution. We are working on legal ideas and details and want the board to be aware.

A discussion of TRUPS was held with respect to community banks- Scott Clarke explained that the TRUPS (Trust Preferred Securities) are securities that a lot of banks are having issues with; once the TRUPS have expired the banks will no longer be able to use as collateral. Banks want to use as capital and this is an issue we are working on, closely monitoring.

Open Discussion for Board Members

None

Comments from the Public

None

Adjournment

The meeting was adjourned at 2:57 pm.