

Corrected Minutes

DEPARTMENT OF FINANCIAL INSTITUTIONS

MINUTES OF MEETING

March 11, 2021

The Members of the Department of Financial Institutions met virtually at 10:00 a.m., EDT. Present from the Department were Thomas C. Fite, Director; Christopher Dietz, Deputy Director, Depository Division; Lyndsay Miller, Deputy Director, Consumer Credit Division; Michael Fracassa, Deputy Director, Administration Division; Nicole Buskill, General Counsel and Secretary; Kirk J. Schreiber, Senior Depository Analyst and Assistant Secretary; George Dremonas, General Counsel; Brad Stone, IT Director; and Sharmaine Stewart, Administrative Assistant. Also present was Jeremy Hill, Attorney with Dentons Bingham Greenebaum LLP, Brett Ashton, Partner with Krieg DeVault, Chris Beaumont, Executive Vice President with Indiana Credit Union League, Travis Markley, CEO with Hoosier Hills Credit Union, John Newett, Senior Vice President with Indiana Members Credit Union and Justin Sindors, Vice President of Finance with Indiana Members Credit Union.

I. EXECUTIVE SESSION: 10:00 a.m.

- A. The Members held a brief Executive Session pursuant to I.C. 5-14-1.5-6.1(b)(7). As posted, the Members discussed items declared confidential by statute as authorized pursuant to IC 5-14-1.5-6.1(b)(7). As required by I.C. 5-14-1.5-6.1(d), the Members hereby certify that only subject matters related to I.C. 5-14-1.5-6.1(b)(9) were discussed.

II. PUBLIC SESSION: 10:45 a.m.

- A. Members Present: Richard J. Rice, Chairman; Mark Schroeder, Vice Chairman; Thomas C. Fite, Director; Jean Wojtowicz, Donald E. Goetz and Benjamin Bochnowski
- B. Date of next meeting: April 8, 2021 @ 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 of the February 11, 2021 meeting.

Mr. Schroeder moved approval of the minutes; Ms. Wojtowicz seconded the motion and the motion passed unanimously.

Ms. Buskill called roll for a vote. Richard Rice, Mark Schroeder, Jean Wojtowicz, Ben Bochnowski, Don Goetz, and Tom Fite all voted yes. The minutes were approved 6-0.

D. DEPOSITORY DIVISION:

1. First Merchants Bank, Muncie, Delaware County, Indiana

Ms. Wojtowicz abstained from the discussion and voting on this application and signed off from the virtual Members meeting due to her relationship as director of First Merchants Bank and First Merchants Corporation.

Mr. Kirk J. Schreiber, Senior Depository Analyst, presented this application. Representing First Merchants Bank was Jeremy Hill, Attorney, Dentons, Bingham Greenebaum LLP. Mr. Schreiber informed the Members that First Merchants Bank and Hoosier Trust Company, Indianapolis, Indiana proposes to effect a merger pursuant to IC 28-1-7.

First Merchants Bank will survive the merger. Hoosier Trust Company's main office will be operated as a full-service trust office of First Merchants Bank and will not be authorized to accept deposits or make loans.

Following the merger First Merchants Bank will continue to be a wholly owned subsidiary of First Merchants Corporation, the bank's holding company. Hoosier Trust Company's corporate existence will cease.

A motion for approval of the merger application of First Merchants Bank was made by Mr. Goetz and seconded by Mr. Schroeder. Ms. Buskill called roll for the vote. Richard Rice, Mark Schroeder, Don Goetz, Ben Bochnowski, and Tom Fite all voted yes. The application was approved 5-0.

Jean Wojtowicz rejoined the meeting after the First Merchants Bank merger transaction vote was completed.

2. Indiana Members Credit Union, Indianapolis, Marion County, Indiana

Mr. Kirk J. Schreiber, Senior Depository Analyst, presented this application. Representing Indiana Members Credit Union was Senior Vice President John Newett, Vice President Justin Sindors and Brett Ashton, Attorney, from Kreig DeVault LLP. Mr. Schreiber informed the Members that Indiana Members Credit Union ("Indiana Members") and Members Choice Federal Credit Union, Bloomington, Indiana ("Members Choice") propose to effect a merger pursuant to IC 28-7-1-33.

Indiana Members and Members Choice entered into a merger agreement dated November 17, 2020. Indiana Members will survive the merger and Members Choice's main office and branch will become branches of Indiana Members. As a part of the merger, Indiana Members approved field of membership already includes Monroe County and therefore will not have to seek an expansion to its existing field of membership.

Mr. Schreiber reviewed and informed the Members that each of the statutory requirements of IC 28-7-1-33 had all been satisfactorily met.

A motion for approval of the merger application of Indiana Members Credit Union was made by Mr. Schroeder and seconded by Ms. Wojtowicz. Ms. Buskill called

roll for the vote. Richard Rice, Mark Schroeder, Jean Wojtowicz, Don Goetz, Ben Bochnowski, and Tom Fite all voted yes. The application was approved 6-0.

3. HHCU Secondary Capital Request

Depository Division Deputy Director Christopher Dietz presented an application from Hoosier Hills Credit Union, Bedford, IN to issue \$10 million in subordinated debt. The debt would be considered includable as secondary capital for regulatory reporting purposes over the ten-year term of the debt. The amount of debt includable in regulatory capital would decline by twenty percent each year, beginning in year six and be fully extinguished in year ten. The debt would be issued at a fixed rate of interest. Mr. Dietz discussed the proposed purpose of the secondary capital, the structure of the subordinated debt, the financial projections of the institution, repayment projections, and discussed how the request satisfied the DFI policy on Credit Union Issuance of Subordinated Debt for the Purpose of Enhancing Regulatory Capital.

Mr. Bochnowski indicated that in the capital raise projection scenario provided in the members packet, the net worth ratio starts to decline in year three and does not recover until year ten. Furthermore, the capital raise scenario shows a net worth ratio that remains substantially below the scenario without a capital raise. Additionally, the allowance for loan and lease loss metric stays static throughout the projections, despite significant asset growth. Mr. Bochnowski has some concerns that these factors may not be appropriate for a high growth scenario. Mr. Dietz mentioned that staff had considerable discussion with credit union management on these factors as well, and staff believes the primary focus on the projections should be in years one to five. In the constrained growth scenario, which does not include secondary capital, the credit union will likely be able to grow at a faster pace in the latter years once the capital cushion has been built up, likely trimming the margin between the net worth projections in the constrained growth versus normal growth scenario. Mr. Dietz also acknowledged that operating expense projections are likely the most conservative in both situations, and potential gains in economies of scale will also aid capital generation at the asset base grows.

Ms. Wojtowicz mentioned that we are explicit in our comments and the policy document approved that the purpose of this subordinated debt issuance is not to purchase financial assets, but money is fungible. In two years if the credit union were to use some of its capital for financial asset acquisitions, what would the Department look at in that regard? Mr. Dietz indicated that per the credit union subordinated debt policy, staff would exclude the secondary capital from the net worth ratio when analyzing the financial

impact of the transaction, because that is temporary capital, and we wouldn't want to include short-term capital to support the purchase of long-term assets. DFI staff does not support the acquisition of debt to purchase long-term financial assets. Staff would make its risk assessment consistent with any other transaction and determine does net worth and other financial metrics support the transaction. If staff was not comfortable with the

lower level of net worth based on the risk profile, there would be additional discussions with the credit union.

Mr. Goetz moved for approval. Mr. Schroeder seconded the motion.

Ms. Buskill called a roll call vote. Richard Rice, Mark Schroeder, Jean Wojtowicz, Ben Bochnowski, Don Goetz and Tom Fite all voted yes. The motion was approved 6-0.

E. DIRECTOR'S COMMENTS AND ACTIONS:

1. Director Fite advised the Members of actions taken pursuant to Delegated Authority.
2. Other Matters

OTHER BUSINESS:


Chairman Rice asked if there was other business. There being no further business, Chairman Rice entertained a motion to adjourn the meeting. Mr. Goetz moved for adjournment, Mr. Bochnowski seconded the motion, and it passed unanimously.

APPROVED:



Richard Rice, Chairman

ATTEST:



Nicole Buskill, Secretary

**ACTION TAKEN UNDER DELEGATED AUTHORITY
FEBRUARY 18, 2021**

1. THE NEW WASHINGTON STATE BANK, NEW WASHINGTON, CLARK COUNTY, INDIANA

The bank has applied to the Department for approval to establish a branch office to be located at **228 Spring Street, Suite 103, Jeffersonville, Clark County, Indiana**. The application was received on February 8, 2021. The branch is to be known as the **Spring Street Branch**. This will be the institution's ninth branch. **APPROVAL IS RECOMMENDED - (KJS)**

DEPUTY APPROVED 

DIRECTOR APPROVED 

2. OWEN COUNTY STATE BANK, SPENCER, OWEN COUNTY, INDIANA

The bank has applied to the Department for approval to relocate a branch office from **2421 South Walnut Street, Bloomington, Monroe County, Indiana** to **4020 Old State Road 37, Bloomington, Monroe County, Indiana**. The application was received on February 9, 2021. The expected date to relocate is August 31, 2021. **APPROVAL IS RECOMMENDED - (KJS)**

DEPUTY APPROVED 

DIRECTOR APPROVED 

3. RELIANT BANK, BRENTWOOD, WILLIAMSON COUNTY, TENNESSEE

An application for issuance of a certificate of admission was received from Reliant Bank, Brentwood, Williamson County, Tennessee ("Reliant"). Reliant filed the application to enable it to transact business in Indiana in accordance with the provisions of IC 28-1-22. The Tennessee state-chartered commercial bank intends to engage in commercial and mortgage banking in the State of Indiana. Reliant will not have a physical presence in Indiana. National Registered Agents, Inc., 334 North Senate Avenue, Indianapolis, Marion County, Indiana has been appointed as resident agent for service of legal process by Reliant. **ISSUANCE OF A CERTIFICATE OF ADMISSION IS RECOMMENDED - (KJS)**

DEPUTY APPROVED 

DIRECTOR APPROVED 

**ACTION TAKEN UNDER DELEGATED AUTHORITY
FEBRUARY 23, 2021**

1. INDIANA UNIVERSITY CREDIT UNION, BLOOMINGTON, MONROE COUNTY, INDIANA

The credit union has filed for approval of a proposed Amendment of the Articles of Incorporation. IC 28-7-1-10 allows a credit union to add one or more qualified groups to its field of membership. This amendment would place persons who reside or are employed within the following communities into the field of membership of the credit union. Indiana University Credit Union (“IUCU”) loan and share balances currently exceed \$29 million in the requested counties through member SEG and other live or work relationships in surrounding counties. IUCU is currently serving over 1,500 members and 3,300 accounts in these communities, with customers interacting with the credit union through shared-branch network in each community, and digital banking services. IU medical facilities, IU satellite campuses, and satellite IU medical schools disburse IU employees throughout southern Indiana, with many of these facilities located in the requested expansion. While some commercial business has been generated through SEG relationships, most of the business in these communities will continue to be consumer and indirect lending services to its established membership.

Clay County, Indiana (common bond of community residence or employment within a community as defined by IC 28-7-1-10)

Daviess County, Indiana (common bond of community residence or employment within a community as defined by IC 28-7-1-10)

Delaware County, Indiana (common bond of community residence or employment within a community as defined by IC 28-7-1-10)

Jefferson County, Indiana (common bond of community residence or employment within a community as defined by IC 28-7-1-10)

Knox County, Indiana (common bond of community residence or employment within a community as defined by IC 28-7-1-10)

Madison County, Indiana (common bond of community residence or employment within a community as defined by IC 28-7-1-10)

Martin County, Indiana (common bond of community residence or employment within a community as defined by IC 28-7-1-10)

Montgomery County, Indiana (common bond of community residence or employment within a community as defined by IC 28-7-1-10)

Orange County, Indiana (common bond of community residence or employment within a community as defined by IC 28-7-1-10)

Putnam County, Indiana (common bond of community residence or employment within a community as defined by IC 28-7-1-10)

Rush County, Indiana (common bond of community residence or employment within a community as defined by IC 28-7-1-10)

Scott County, Indiana (common bond of community residence or employment within a community as defined by IC 28-7-1-10)

Tippecanoe County, Indiana (common bond of community residence or employment within a community as defined by IC 28-7-1-10)

Vanderburgh County, Indiana (common bond of community residence or employment within a community as defined by IC 28-7-1-10)

APPROVAL IS RECOMMENDED - (KJS)

DEPUTY APPROVED



DIRECTOR APPROVED

