



# Newsletter

No. 01-15



January 21, 2015



**Credit Union Department**  
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*CUD is the state agency that regulates and supervises credit unions chartered by the State of Texas. The Department is professionally accredited by the National Association of State Credit Union Supervisors (NASCUS) certifying that CUD maintains the highest standards and practices in state credit union supervision.*

*Our **Mission** is to safeguard the public interest, protect the interests of credit union members and promote public confidence in credit unions.*

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## **Credit Union Commission**

*The Commission is the policy making body for CUD. The Commission is a board of private citizens appointed by and responsible to the Governor of Texas.*

### **Members:**

Manuel Cavazos IV, Chair

Rob Kyker, Vice Chair

Gary D. Tuma

Gary L. Janacek

Sherri B. Merket

Allyson "Missy" Morrow

Kay Stewart

Vik Vad

A. John Yoggerst

## **Next Commission Meeting**

*Friday, February 20, 2015 beginning at 8:00 a.m. in the offices of CUD.*

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## **Internship Announcement**

The Department is accepting applications for a paid Student Intern position until 5 pm Friday, January 30, 2015.

This program is open to students majoring in Economics, Banking, Finance, Accounting or other business related field. An applicant must be currently enrolled in an under-graduate degree-seeking program with a junior or senior level standing to be eligible. The program has been designed to offer degree-related career experience as well as provide an opportunity to gain practical experience and training in the credit union regulatory field.

For further information, please visit our website at: <http://www.cud.texas.gov/>.



## **Interest Rate Risk**

Given the potential impact of changing interest rates on credit unions' earnings and net worth, examinations normally include a review of interest rate risk (IRR) oversight and measurement, as well as management's planned strategies for responding to potential changes in market interest rates and the yield curve. Sensitivity to market risk, primarily IRR at most credit unions, is inherent to a credit union's business and one of the six components of the Uniform Financial Institutions Rating System. The Sensitivity to Market Risk component rating is assigned at each regular examination and is considered by the examiner when assigning the overall composite rating, as it can potentially affect all measurable areas of performance.

## ***Interest Rate Risk***

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Continued from page 1

Throughout the current low-interest rate environment, credit unions' net interest margins have been squeezed by reduced yields and low loan demand. In response, some credit unions have extended asset duration in an effort to maximize yields and enhance profitability. Such a strategy can increase earnings as long as the interest rate environment remains fairly stable, but a sustained increase in market interest rates could hinder the operating performance capabilities of these credit unions. As such, IRR exposure and management oversight remain important aspects of the examination process. The Department expects credit unions to have effective IRR policies and measurement procedures in place so credit unions can make informed decisions about balance sheet management, budgeting, and net worth adequacy. This expectation has become increasingly important as the potential for a period of increasing interest rates continues to be identified by industry observers as a primary risk facing the credit union marketplace.



## ***Collections Compliance***

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Whether credit unions perform collections “in-house” or enlist someone else to act on their behalf, it is important to ensure compliance with the Texas debt collection law and the federal Fair Debt Collection Practices Act. Violations of collections laws may expose the credit union to losses through civil suits, administrative actions, or reputation damage. Credit unions should develop policies for prompt, legal, appropriate, and consistent collections actions; employees and agents should be made aware of these policies and the consequences for failing to follow them. Credit union collectors may not use obscene or profane language, make harassing calls (calls at odd hours, repeated continuous calls, or collect calls), or lie about the amount or status of the debt. Collectors are also prohibited from threatening arrest or filing baseless criminal accusations to collect a debt; a debtor can't be accused of fraud or theft simply because he or she is in breach of the contract or has failed to voluntarily return collateral. A credit union must be able to demonstrate its right to collect the debt, the amount of the collection, and the compliance of its collection methods with credit union policy and all applicable laws. For further information, credit unions may wish to consult with independent legal counsel or contact the Credit Union Department.



## ***New Deputy Commissioner***

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For those who may have missed the news, Robert N. Baxter is the Department's new Deputy Commissioner. Mr. Baxter began his career with the Department in 1982 as a field examiner after graduating from the University of Central Oklahoma with a Bachelor's Degree in Finance. He spent approximately 14 years in the Dallas/Ft. Worth zone and held various positions, including Financial Examiner, Senior Field Specialist, and Field Manager. In 1997 he transferred to Austin as the Field Manager for the agency's central zone and served in this capacity until 2003, at which time he was promoted to the position of Chief Examiner. Robert has been responsible for the development and oversight of the Department's training programs for new and seasoned examiners; supervision and evaluation of the examination staff; and performed other administrative duties including serving as Acting Deputy Commissioner during the interim.

## ***New Chief Examiner***

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The Department is happy to announce that Robert W. Etheridge has been promoted to fill the position of Chief Examiner. Robert began his career with the Department in 1986 as a field examiner in the Dallas/Ft. Worth zone. In 1989 he accepted an internal auditor position with East Texas Professional Credit Union. Robert held various positions during the 13 year tenure at the credit union, serving in a senior management capacity. Furthermore, in 2003 he accepted a position with River City Federal Credit Union as their Executive Vice President for just over 7 years. In August 2010 he rejoined the ranks of the Department and since then he has served as a Financial Examiner and Senior Field Specialist. Robert holds a Bachelor's of Business Administration Degree with an emphasis in Petroleum Business Management and is a 1992 graduate of CUNA Management School.



## ***Notice of Regular Commission Meeting***

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The Credit Union Commission will hold its regular meeting on **Friday, February 20, 2015, at 8:00 a.m.**, in the conference room of the Department. The draft agenda will be available on the CUD website the week of January 19<sup>th</sup> for your convenience



## ***Upcoming Holiday Schedule for CUD***

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The Department's office will be closed on **February 16<sup>th</sup>** in observance of President's Day.



## ***Publication Deadlines***

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In order to meet the submission deadlines for the applicable issues of the Texas Register, it is necessary for the Department to establish the schedule included below. Completed applications received after the deadline for the month cannot be published until the following month.

<u>Publication Date</u>	<u>Application Deadline</u>
February, 2015	Friday, February 13
March, 2015	Friday, March 13



## Applications Approved

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Applications approved since December 17, 2014 include:

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### Credit Union

### Changes or Groups Added

*Field of Membership Changes – Approved:*

**Lone Star Credit Union** (Dallas)

See Newsletter No. 10-14



## Applications Received

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The following application was received and will be published in the January 30, 2015 issue of the *Texas Register*.

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*Field of Membership Expansion:*

**Promise Credit Union**, Houston, Texas to expand its field of membership. The proposal would permit people who live, work, worship or attend school within the following U.S. Postal Zip Codes: 77032, 77093, 77076 and 77039, to be eligible for membership in the credit union.

Comments or a request for a meeting by any interested party relating to an application must be submitted in writing within 30 days from the date of this publication. Credit unions that wish to comment on any application must also complete a Notice of Protest form. The form may be obtained by contacting the Department at (512) 837-9236 or downloading the form at <http://www.cud.texas.gov/page/bylaw-charter-applications>. Any written comments must provide all information that the interested party wishes the Department to consider in evaluating the application. All information received will be weighed during consideration of the merits of an application. Comments or a request for a meeting should be addressed to the Texas Credit Union Department, 914 East Anderson Lane, Austin, Texas 78752-1699.

*Merger or Consolidation:*

An application was received from **Texas Telcom Credit Union** (Dallas) seeking approval to merge with **Dallas Santa Fe Credit Union** (Garland), with Texas Telcom Credit Union being the surviving credit union.

Comments or a request for a meeting by any interested party relating to an application must be submitted in writing within 30 days from the date of this publication. Any written comments must provide all information that the interested party wishes the Department to consider in evaluating the application. All information received will be weighed during consideration of the merits of an application. Comments or a request for a meeting should be addressed to the Credit Union Department, 914 East Anderson Lane, Austin, Texas 78752-1699.



*This newsletter is produced monthly as a part of the Department's continued communication outreach with the credit unions it regulates. Delivery is generally provided by electronic notification of its availability on the Department's website.*

*Suggestions and comments concerning the newsletter or its content are welcomed.*



To learn more about CUD click <http://www.cud.texas.gov> or contact us at 914 E. Anderson Lane, Austin, TX 78752

