

**CREDIT UNION COMMISSION
MEETING MINUTES
MARCH 10, 2017**

A. CALL TO ORDER - ASCERTAIN A QUORUM – Chair Manuel “Manny” Cavazos called the meeting to order at 9:02 a.m. in the conference room of the Credit Union Department Building, Austin, Texas, pursuant to Chapter 551 of the Government Code, and declared that a quorum was present. Other members present included Allyson “Missy” Morrow, Beckie Stockstill Cobb, Steven “Steve” Gilman, Yusuf Farran, Sherri Merket, Gary Tuma and Vik Vad. Commission Member Kay Stewart was absent due to a death in the family. Assistant Attorney General Melissa Juarez was in attendance to serve as legal counsel. Representing the Department staff were Harold E. Feeney, Commissioner, Robert E. Etheridge, Deputy Commissioner and Joel Arevalo, Director of Information Technology. Chair Cavazos appointed Isabel Velasquez as Recording Secretary. The Chair inquired and the Commissioner confirmed that the notice of the meeting was properly posted (**February 28, 2017, TRD#2017001585**).

❖ **INVITATION FOR PUBLIC INPUT FOR FUTURE CONSIDERATION** – Chair Cavazos invited public input on matters that were not scheduled items on the agenda for possible future consideration by the Commission. No public comments were received.

❖ **RECEIVE REQUESTS AND MOTIONS FOR EXCUSED ABSENCES** – Chair Cavazos inquired if there were any requests or motions to excuse an absence. Mrs. Morrow moved to excuse Commission Member Kay Stewart from the Commission meeting on March 10, 2017. Mrs. Merket seconded the motion, and the motion was unanimously adopted.

❖ **B. RECEIVE MINUTES OF PREVIOUS MEETING (November 4, 2016).** The Chair referred the members to the draft minutes contained in the agenda packet. Mr. Gilman moved for approval of the minutes of November 4, 2016 as presented. Mrs. Merket seconded the motion, and the motion was unanimously adopted.

C. PENDING AND ONGOING MATTERS

(a) Discussion and Consideration of the Department's FY 2017 Budget and Financial Performance. Commissioner Feeney briefly highlighted the financial performance indicating that for the first five months of FY 2017 total revenues were \$2,065,185 which was \$5,423 more than the budgeted amount. He also explained that during the same period \$1,484,610 was spent operating the Department, which was approximately 93% budgeted expenses for the period.

Mr. Feeney also reported that the HVAC replacement project continues to move slowly. The project has been posted three times for bids with no response.

After a brief discussion, no formal action was taken by the Commission.

(b) Discussion and Consideration of Current Status of the Financial Services Market and the Effect on Credit Unions Regulated by the Department. Deputy Commissioner Etheridge reported that the business environment continues to reflect improvement as the overall Texas economy remains sound. He indicated that Texas credit unions, in general, are performing well and continue to realize positive loan growth, strong asset quality trends, good earnings performance and sound net worth positions. While some economic challenges exist in certain geographic areas, the Department remains optimistic

that the Texas economy will continue to have a positive impact on the Texas credit union system.

After a brief discussion of some of the key/trend financial trends, no formal action was taken by the Commission.

(c) Discussion and Consideration of the State Auditor's Audit Report (17-014) on the Credit Union Department: A Self-Directed, Semi-Independent Agency. Commissioner Feeney provided background information and briefly summarized the audit findings. He reported that all recommendations had been addressed with the exception of the Information Technology policies and procedures, which are expected to be completed by the end of June 2017.

After a short discussion, no formal action was taken by the Commission.

D. NEW MATTERS

(a) Discussion and Consideration and Possible Vote to Take Action on the Completed Rule Review of 7 TAC, Part 6, Chapter 97 (relating to Commission Policies and Administrative Rules). Commissioner Feeney explained that Section 2001.039, Government Code, requires a state agency to review and consider for re-adoption each rule not later than the fourth anniversary of the date on which the rule took effect and every four years after that date. He noted that, at the July 2016 meeting, the Commission approved a plan which establishes a date for the required review of each existing rule. In accordance with that plan, he reported that staff has reviewed Chapter 97 and believes that certain revisions are appropriate and necessary. Mr. Feeney noted that the recommended amendments to Chapter 97 will be presented separately for consideration. He explained that notice of review and a request for comments on these rules were published in the December 16, 2016 issue of the *Texas Register* and that no

comments were received. He further indicated that staff believes that the reasons for adopting the noted rules continue to exist and is recommending that the Commission approve and adopt the rule review of Chapter 97.

After further consideration of the rules, Mr. Tuma moved that the Commission find that the reasons for adopting Chapter 97 continues to exist and that the Commission re-propose and readopt these rules. Mr. Vad seconded the motion and the motion was unanimously adopted.

D. (b) Discussion, Consideration and Possible Vote to Take Action on the Proposal and Publication for Comment on Repeal of 7 TAC Section 97.104 Concerning Petitions for Adoption or Amendment of Rules.

Commissioner Feeney reported the proposed repeal of this rule is a result of the Department's general rule review. He indicated that greater clarity and ease of use could be achieved if the existing 7 TAC Section 97.104 was updated and relocated to a new subchapter.

After a short discussion, Mr. Gilman moved that the Commission approve for publication and comment in the *Texas Register* the proposed repeal of 7 TAC Section 97.104. Mrs. Cobb seconded the motion and the motion was unanimously adopted.

D. (c) Discussion, Consideration, and Possible Vote to Take Action on the Proposal and Publication for Comment on New Subchapter F of 7 TAC, Part 6, Chapter 97 Concerning Rulemaking.

Commissioner Feeney noted that the new Subchapter F was being proposed to comply with the provisions of Government Code §§2001.021 and 2001.029. He indicated that these sections require a state agency to prescribe procedures for the submission, consideration,

and disposition of a petition to initiate rulemaking and to provide an opportunity for an interested person to request a public hearing on a substantive rule change. Mr. Feeney explained that the new proposed Rule 97.500 would replace existing Rule 97.104. The proposed new rule would set out the procedure for an interested person to petition the Department to initiate rulemaking proceedings. He further explained that the new proposed Rule 97.501 would implement the provisions related to conducting a requested public hearing. The proposed new rule would authorize the commissioner or his designee to hold such a hearing and set appropriate processes and procedures.

Commission Member Gilman expressed support for the efforts to increase transparency and the improved ease of use pertaining to these proposed new rules.

After further discussion, Mrs. Merket moved that the Commission approve for publication and comment in the *Texas Register* the proposed new 7 TAC Sections 97.500 and 97.501 (7 TAC, Part 6, Chapter 97, Subchapter F) relating to rulemaking proceedings and hearings on proposed substantive rules. Mrs. Cobb seconded the motion and the motion was unanimously adopted.

D. (d) Discussion, Consideration, and Possible Vote to Take Action on the Proposal and Publication for Comment of Amendments to 7 TAC Section 97.105 Concerning Frequency of Examination. Commissioner Feeney explained that the propose amendments to Rule 97.105 were a result of the Department's general rule review and were intended to clarify authorities, processes, and expectations with respect to the frequency of examinations. He noted that the proposed amendments should better capture the expressed intention of the Commission and the current practices of the Department.

After a short discussion, Mr. Vad moved that the Commission approve for publication and comment in the *Texas Register* the proposed amendments to 7 TAC Section 97.105 related to frequency of examination. Mr. Gilman seconded the motion and the motion was unanimously adopted.

D. (e) Discussion, Consideration, and Possible Vote to Approve and Authorize the Submission of the Department's Annual Risk Assessment Report for FY 2017 as Required by Section 2102.004, Government Code.

Commissioner Feeney noted that Government Code Section 2102.013 requires certain state agencies to conduct a formal internal risk assessment each year and submit the assessment to the State Auditor's Office. He indicated that staff had completed the internal risk review for 2017 and had prepared a written assessment of the risks along with the controls the Department has in place to mitigate those risks for submission to the State Auditor's Office.

After a brief discussion, Mrs. Morrow moved that the Commission approve the Department's Internal Risk Assessment Report for 2017 and authorize its submission to the State Auditor's Office. Mr. Tuma seconded the motion and the motion was unanimously adopted.

D. (f) Discussion, Consideration, and Possible Vote to Conditionally Permit the Deputy Commissioner to Remain Indebted, as a Borrower, to a Federal Credit Union that has Subsequently Converted to a State-Chartered Credit Union.

Commissioner Feeney noted that the Commission has established a policy which specifically provides that neither the Commissioner nor the Deputy Commissioner may be a member of, or be indebted to, any credit union under the Department's jurisdiction. As a result of the conversion of Amplify Federal Credit Union to a Texas charter on January 1, 2017, an unintentional violation of this

policy resulted as the Deputy Commissioner was a member and had both a boat loan and Home Equity Line of Credit Union with the federal credit union. He explained that in view of the fact that the indebtedness were contracted before the credit union came under the Department's jurisdiction, the Deputy Commissioner was seeking the Commission's consent to keep his existing loans with Amplify Credit Union. Mr. Feeney further noted that staff was recommending that the Commission authorize the Deputy Commissioner to maintain his existing borrowing relationship with Amplify Credit Union provided that no future modifications are made or additional funds advanced on either indebtedness.

After a short discussion, Mrs. Morrow moved that the Commission approve the requested exception to policy as recommended by staff. Mrs. Merket seconded the motion and the motion was unanimously adopted.

D. (g) Discussion, Consideration, and Possible Vote to Take Action to Approve the Proposed Amendments to the Commission's Policies Manual, as Part of its Annual Policy Review, to Revise the Ethics Standards Policy to Include an Exception to the Specific Restriction Related to a Indebtedness by Department Employees. Commissioner Feeney explained that in accordance with Commission Policy, the Commission is required to review its policies manual at least once each year. In preparation for the Commission's review, staff has examined the various policies and was recommending changes to Subsection F, Section XV, Ethics Standards. He clarified that the suggested changes would provide an exception to the prohibition on indebtedness to a credit union or affiliate for certain employees if such indebtedness was permissible when incurred and become prohibited as a result of employment by the Department or circumstance over which the employee has no control. Mr. Feeney also noted that it was recommended that the criteria for restricting an examiner from examining a

credit union be expanded to include past employment, pension interest, and relatives working in the institution.

After a brief discussion, Mr. Gilman moved that the record reflect that the Commission reviewed its policies manual and approved the proposed changes as recommended by staff. Mrs. Cobb seconded the motion and the motion was unanimously adopted.

D. (h) Discussion, Consideration, and Possible Vote to Take Action on the General Budget Assumptions and Parameters to be used in Guiding the Development of the Department's FY 2018 Budget. Commissioner Feeney indicated that the Finance Code Section 16.003 gives the Commission exclusive responsibility for approving the Department's budget each year. He noted that the budget is scheduled to be considered at the next meeting and that staff had drafted suggested budget guidelines for the Commission's consideration.

Commission Member Gilman encouraged staff, in the budget development, to explore ways to start moving the agency towards a virtual examination. He indicated that using analytics and performing risk assessment from a remote location would lessen the travel burdens on the examination staff and facilitate interim reviews between examinations.

Commission Member Vad requested that the budget proposal include a more in depth breakdown of the cost associated with the Department's electronic document management system and any information technology upgrades/replacements.

After further discussion, Mr. Tuma moved that the Commission adopt the proposed budget assumptions and parameters for FY 2018 as recommended by Staff. Mr. Gilman seconded the motion and the motion was unanimously adopted.

D. (i) Discussion, Consideration, and Possible Vote to Adopt Resolutions Commemorating Amplify Credit Union, Lone Star Credit Union, Shared Resources Credit Union, and Reeves County Teachers Credit Union for their Contributions to the Citizens of Texas on the Respective Milestone Anniversary Dates of their Origin. Commissioner Feeney noted that in accordance with the provisions of the Commission's Policies Manual, the Commission may adopt resolutions honoring credit unions for reaching certain milestones dates. In accordance with the criteria detailed in the policy, staff was presenting four resolutions for the Commission's consideration.

After a brief discussion, Mr. Yusuf moved that the Commission adopt the Resolutions Commemorating **Amplify Credit Union, Lone Star Credit Union, Shared Resources Credit Union, and Reeves County Teachers Credit Union** for their Contributions to the Citizens of Texas on the Respective Milestones Anniversary of their Origin and that a copy of the appropriate resolutions be mailed to the credit unions. Mrs. Merket seconded the motion and the motion was unanimously adopted.

D. (j) Discussion, Consideration, and Possible Vote to Take Action on a Resolution to Acknowledge the Retirement of Richard L. Ensweiler, President and CEO of the Cornerstone Credit Union League. Commissioner Feeney indicated that Mr. Ensweiler would be retiring from the credit union movement after more than five decades of service – 22 years as the President/CEO of the Texas Credit Union League and its successor organization Cornerstone Credit Union League. Mr. Feeney noted that Mr. Ensweiler has been an effective

advocate for credit unions and a stalwart supporter of a safe, sound, and competitive credit union system in Texas.

After a short discussion, Mr. Tuma moved that the Commission adopt the Resolution acknowledging Richard Ensweiler's retirement and that a copy of the resolution be given to him as a token of our appreciation for his many years of service to Texas credit unions. Mrs. Morrow seconded the motion and the motion was unanimously adopted.

D. (k) Discussion and Consideration of Legislative Issues and Activities Relating to the 85th Regular Session that may Impact the Department or Credit Unions under its Jurisdiction. Commissioner Feeney indicated that the pace of the Session should be picking up now that it has reached the 60th day and the bill filing deadline. He reported that the Department is currently monitoring a number of bills that could potentially impact either the Department or credit unions and noted that May 29 would be the last day of the 85th Regular Session.

After a brief discussion, no formal action was taken by the Commission.

Next Commission Meeting – Chairman Cavazos reminded everyone that the next regular meeting of the Commission has been tentatively scheduled for July 14, 2017 at 9:00 a.m. in Austin.

ADJOURNMENT – There being no further business for the Credit Union Commission, Chairman Cavazos adjourned the meeting at 10:07 a.m.

Allyson “Missy” Morrow
Chairman

Isabel Velasquez
Recording Secretary

Distribution:

Legislative Reference Library