



# Newsletter

No. 07-16



July 20, 2016



**Credit Union Department**  
914 East Anderson Lane  
Austin, Texas 78752

Phone: 512-837-9236

Fax: 512-832-0278

Email: [info@cud.texas.gov](mailto:info@ cud.texas.gov)

Web Site: [www.cud.texas.gov](http://www.cud.texas.gov)

*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  
Allyson "Missy" Morrow, Vice Chair  
Beckie Stockstill Cobb  
Yusuf E. Farran  
Steven "Steve" Gilman  
Sherri Brannon Merket  
Gary D. Tuma  
Kay Stewart  
Vik Vad

## **Next Commission Meeting**

*Friday, November 3, 2016 beginning at 9:00 a.m. in the offices of CUD.*

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## **Cybersecurity Training**

Securing the cyber infrastructure of the U.S financial system remains a priority of policy makers and regulators. From the FTC, to the CFPB, to the NCUA, to state regulators, the cybersecurity of the financial institutions and other entities are under enhanced scrutiny.

The 3<sup>rd</sup> Annual Cybersecurity Symposium is being held August 1 and 2 in Chicago, Illinois. This event, produced by NASCUS and CUNA, features a learning environment where examiners, credit union cybersecurity professionals, and other cyber experts come together to discuss the critical issues facing the system.

For more information, or to register for this event, visit the [NASCUS Cybersecurity Symposium Web Page](#).



## **Credit Union Online User Maintenance**

This is a friendly reminder that credit union administrators are responsible for adding, editing, and deleting administrators, users and others with the Credit Union Basic Role for your credit union. Please review your designated users and remove any obsolete users. If you have any questions about using this function, you can refer to the Online Instructions Guide or contact the NCUA Technical Customer Support at (800) 827-3255.



## ***Complaints and Confidential Information***

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The Texas Finance Code requires the Department and credit unions to answer complaints. See TEX. FIN. CODE §15.409 and 7 TEX. ADMIN. CODE §91.121. When the Department receives a complaint, the Department will send the applicable credit union a letter asking for a response with documentation. If the credit union's response or documentation contains confidential information, please either send that response and documentation to the Department encrypted or redact all confidential information concerning the complainant from the response and the documentation. Confidential information includes the complainant's social security number, driver's license number, account number(s), debit card number(s), etc. If you are in doubt as to whether the information contained in your response is confidential, please assume that the information is confidential and send the response encrypted or redacted.



## ***5300 June 2016 Call Report Cycle***

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The 5300 Call Report, with credit union profile updates must be successfully submitted by **Monday, July 25, 2016, 11:59:59 p.m., Eastern** to avoid paying civil money penalties. Note that this filing deadline has been extended an additional three days than previous submissions. NCUA continues to send email reminders before the deadline to credit unions with outstanding call reports. If after attempting submission you receive such an email, please log in to the Credit Union Online immediately, resubmit your call report, and look for the NCUA's confirmation to limit the fine.



## ***Illiquid Bonds***

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These days, no credit union can find an easy way to make money in their investment portfolio. Low interest rates have cut income on all but the longest Treasury debt, and the low-rate environment shows no signs of abating anytime soon. But the steps some credit unions are taking to increase their investment yields are giving rise to another risk, "illiquidity".

Credit unions are considering securities that, while earning them a higher return, are more difficult to trade or liquidate if the credit union suddenly needs to change its balance sheet mix. For example, state and municipal bonds typically allow credit unions to earn more than Treasury bonds; however, they also are more difficult to turn quickly into cash.

While the lure of less liquid securities is understandable, credit unions need to consider the value of liquidity, or they could find themselves too far out on the risk spectrum. The liquidity capability allows credit unions to respond smoothly to the ups and downs of credit, the flows of member deposits and the demands of earnings. That flexibility has significant value and credit unions that invest in less liquid securities, need to be aware of the potential need to dispose of those securities and have clearly defined board approved, exit strategies.



## ***Modifications to Field of Membership Rule***

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At its meeting earlier this month, the Commission adopted amendments to Rule 91.301 (Field of Membership). Specifically, the amendments expand the definition of “local service area” to generally consist of one or more contiguous political subdivisions that are within reasonable proximity of a credit union’s office(s). The amendments also allow credit unions to include in their field of membership areas designated as Credit Union Development Districts in accordance with Texas Finance Code Chapter 279. The newly amended rule can be found on the Department’s [website](#). The amendments will become effective on July 31, 2016.



## ***Proposed Changes to Member Business Lending Rule***

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The Department has published Notice of its Proposed Rulemaking that would amend Rule 91.709 (Member Business Lending) to coincide with the revised NCUA Member Business Loan Rule (12 C.F.R. Part 723). The proposed amendments will provide credit union parity, under Texas Finance Code Section 123.003, with federal credit unions engaged in the business of making member business loans in Texas. More specifically, the amendments would eliminate detailed collateral criteria and portfolio limits, and instead would focus on broad, yet well-defined, principles that clarify regulatory expectations for credit unions engage in member business lending activities. The proposed amendments can be found on the Department’s [website](#). The period within which to comment on this proposal ends on August 22, 2016.



## ***Proposed Amendments to Home Equity Lending Interpretations***

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The Finance Commission of Texas and the Credit Union Commission have jointly published proposed revisions to 7 TAC Sections 153.5 (Three Percent Fee Limitations), 153.8 (Security of the Equity Loan), 153.13 (Preclosing Disclosures), 153.14 (One Year Prohibition), and 153.17 (Authorized Lenders). The main purpose of the proposed revisions is to implement changes result from the review of Chapter 153 under Texas Government Code, Section 2001.039. The proposed revisions relate to consumer disclosures, the types of lenders authorized to make home equity loans, and technical corrections. The proposed amendments can be found on the Department’s [website](#). The period within which to comment on this proposal ends on August 22, 2016.



## 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>
August, 2016	Friday, August 16
September, 2016	Friday, September 16



## Applications Approved

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Applications approved since June 15, 2016 include:

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<u>Credit Union</u>	<u>Changes or Groups Added</u>
<i>Field of Membership Change – Approved:</i> <b>EECU</b> (Fort Worth) (Amended) Residents of the Dallas-Fort Worth-Arlington, Texas Metropolitan Statistical Area who are members of America’s Charities.	See Newsletter No. 02-16
<b>First Service Credit Union</b> (Houston) (Amended) Persons who live, work, worship, or attend school in, businesses and other legal entities located within the geographical boundaries of the Conroe Independent School District or the Magnolia Independent School District.	See Newsletter No. 01-16



## Applications Received

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The following applications were received and will be published in the July 29, 2016 issue of the Texas Register.

*Field of Membership Expansion:*

**Associated Credit Union of Texas** (League City) – To permit persons who live, work, worship or attend school within a ten mile radius of the ACUTX office located at 2509 Becker Drive, Brenham, TX 77833, 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.



*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.*

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

