



# Newsletter

No. 03-18



March 21, 2018



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The Credit Union Department (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:

Allyson "Missy" Morrow, Chair  
Sherri Brannon Merket, Vice Chair  
Beckie Stockstill Cobb  
Yusuf E. Farran  
Steven "Steve" Gilman  
Jim Minge  
Kay Stewart  
Rick Ybarra

## Next Commission Meeting

Friday, July 13, 2018 beginning at 9:00 a.m. in the offices of CUD.

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## Annual Credit Union Survey

The Department recently sent an email to each credit union containing a link to our annual online survey. We are looking to examine our current performance across a range of issues critical to our success. The best way to do this is by asking credit unions to participate in this survey and to provide us with your opinion on how the Department is currently performing. Your responses will be completely anonymous and analyzed in combination with other credit union answers. This survey will be open until Monday, May 7. By participating in this survey, you will be making an important contribution by helping the Department to improve and better serve the citizens of Texas. Your opinion counts. We appreciate your time!



## Changes to Home Equity Lending Interpretations

The Credit Union Commission and the Finance Commission of Texas have jointly adopted revisions to 7 TAC, Part 8, Sections 153.1 (Definitions), 153.5 (Three Percent Fee Limitations), 153.14 (One Year Prohibition), 153.17 (Authorized Lenders), 153.84 (Restrictions on Devices and Methods to Obtain a HELOC Advance), and 153.86 (Maximum Principal Amount Extended under a HELOC); a new Section 153.45 (Refinance of an Equity Loan); and the repeal of Section 153.87 (Maximum Principal Amount of Additional Advances under a HELOC), concerning Home Equity Lending. The main purpose of the changes is to implement SJR 60 passed by the Texas Legislature during the 85<sup>th</sup> Regular Session and approved by the voters in the November 2017 elections. SJR 60 amends Article XVI, Section 50 of the Texas Constitution and applies to all home equity loans entered on or after January 1, 2018.

All of the amendments to the home equity interpretation, the new interpretation and the repealed interpretation are effective on March 29, 2018.

## ***Board Responsibilities***

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From time to time credit union directors have expressed concern that they are being asked to perform “management functions.” Although the recent financial crisis re-emphasized the importance of certain director responsibilities, the Department has not shifted the expectation of senior management’s responsibilities to directors. Rather, the board should provide administrative oversight and guidance to senior management.

The Uniform Financial Institutions Rating System (UFIRS), also known as the “CAMELS” rating system, differentiates between director and senior management responsibilities as follows:

“Generally, directors need not be actively involved in day-to-day operations; however, they must provide clear guidance regarding acceptable risk exposure levels and ensure that appropriate policies, procedures, and practices have been established. Senior management is responsible for developing and implementing policies, procedures, and practices that translate the board’s goals, objectives, and risk limits into prudent operating standards”.

While differentiating responsibilities, the UFIRS also reflects that while directors and officers often work hand-in-hand, their formal roles within the credit union are distinct and should not be intermingled. Ultimately, the board is responsible for monitoring senior management and business operations.



## ***Liquidity***

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Credit union loan growth has outpaced savings growth for the past five years, and current loan demand at credit unions continues to be strong. Many credit unions are operating with high loan-to-savings ratios and their liquidity positions will likely tighten further this year. Now is a good time for operating management and the board of directors to review their liquidity outlook, asset liability management practices and Liquidity Contingency Funding Plan (CFP) to ensure that adequate liquidity will be available to meet member loan demand and share withdrawal requests. Rising market interest rates could increase savings deposit outflows to money market mutual funds and other higher yielding accounts, which could lead to liquidity strains for some credit unions.

A CFP is required for federally insured credit unions as a condition of federal insurance [12 CFR §701.31(d)(2)]. Each credit union should assess their current CFP to ensure it addresses the following:

- a. Policies to manage a range of stress environments, identification of some possible stress events, and identification of likely liquidity responses to such events;
- b. Lines of responsibility within the credit union to respond to liquidity events;
- c. Management processes that include clear implementation and escalation procedures for liquidity events;
- d. Outside sources of liquidity for contingency needs; and,
- e. The frequency the credit union will test and update the plan.



## ***Adopted Rule Changes***

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At its recent meeting, the Commission also adopted changes to the following rules:

- **7 TAC Section 91.4001** (Authority to Conduct Electronic Operations). The amendments to this rule impose a new requirement on credit unions using electronic means and facilities to employ an incident response plan, which has been subjected to reasonable testing, to minimize the impact of a data breach or other electronic incident on members while quickly restoring operations, credibility, and security.
- **7 TAC Section 91.4002** (Transactional Web Site Notice Requirements and Security). The amendment to this rule would require a credit union to review the adequacy of its web site's security measures annually instead of once every two years.
- **7 TAC Section 91.5001** (Emergency Closing). The amendments to this rule would urge credit unions to post notice on their websites and any social media pages of an emergency closing of an office or operation.
- **7 TAC Section 91.5005** (Permanent Closing of an Office). The amendments to this rule would impose a new requirement on credit unions to post notice on its website and any social media pages of the permanent closing of an office, at least 30 days prior to the proposed closing.

The amendments to the above noted rules are effective on March 29, 2018.



## ***Proposed Amendments to Rules***

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As part of the rulemaking process, the Department is seeking comments on the proposed changes to 7 TAC, Part 6, Chapter 93 which deals with administrative proceedings. More specifically, the Department is proposing changes to Sections 93.101 (Scope, Definitions; Severability); 93.204 (Contested Case Hearing; Informal Disposition); 93.205 (Notice of Hearing); 93.208 (Delegation of Authority); 93.209 (Subpoenas); 93.210 (Discovery; Protective Orders; Motions to Compel); 93.211 (Administrative Record; 93.212 (Proposal for Decision); 93.301 (Finality of Decision; Request for SOAH Hearing; Waiver of Appeal); 93.303 (Hearings on Applications); 93.401 (Appeals of C&D Orders and Orders of Removal); 93.501 (Appeals of Orders of Conservation); 93.601 (Appeals to the Commission); 93.604 (Motion for Rehearing); and 93.605 (Final Decisions and Appeals). In addition, the Department is not only proposing to repeal existing Sections 93.201, 93.206, and 93.601 but also proposing a new Section 93.201. All of the proposed changes relate to procedure rules for contested cases.

The exact text for the proposed changes is available at ([www.cud.texas.gov](http://www.cud.texas.gov) - **proposed commission rules**). You may submit comments by email to [CUDmail@CUD.texas.gov](mailto:CUDmail@CUD.texas.gov). The deadline to submit comments is the close of business on April 30, 2018.



## ***New Rule Adopted***

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At its regular meeting on March 9, 2018, the Commission adopted a new rule (7 TAC Section 91.1010) regarding voluntary liquidations. The new rule provides guidance to credit unions considering a voluntary liquidation of their credit union.

The new rule is effective on March 29, 2018.



## ***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 shown 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>
April 2018	Friday, April 13
May 2018	Friday, May 11



## ***Applications Approved***

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Applications approved since **February 21, 2018** include:

<u>Credit Union</u>	<u>Changes or Groups Added</u>
<i>Field of Membership – Approved:</i>	
<b>First Service CU</b> (Houston)	<a href="#"><u>See Newsletter No. 10-17</u></a>
<i>Articles of Incorporation – Approved:</i>	
<b>Employees CU</b> (Dallas)	<a href="#"><u>See Newsletter No. 01-18</u></a>



## ***Applications Received***

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The following applications were received and will be published in the **March 30, 2018** issue of the *Texas Register*.

*Field of Membership Expansion:*

**DATCU** (Denton) – Associate Members of Communities in Schools of North Texas Foundation.

## ***Applications Received (Continued)***

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### *Articles of Incorporation:*

**Highway District 2 Credit Union** (Fort Worth) – The credit union is proposing to change the location of the principal place of business of the credit union to 6112 McCart Avenue, Suite 205, Fort Worth, Texas, 76133.



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.*



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

