



# Newsletter

No. 08-14



August 20, 2014



**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

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, October 17, 2014 beginning at 8:00 a.m. in the offices of CUD.*

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## ***Adding the "S" to CAMEL***

Over the years, the Department's CAMEL rating system has proven to be an effective internal supervisory tool for evaluating the soundness of credit unions on a uniform basis and for identifying those institutions requiring special attention or concern. A number of changes, however, have occurred in the credit union industry and in the Department's policies and procedures which have prompted a review and revision of the rating system. The basic structure and framework of the existing rating system has been retained. The major change is the addition of a sixth component for Sensitivity to market risk. As a result, the updated rating system now will be referred to as the CAMELS rating system.

Although the Department currently reviews interest rate risk exposure, those discussions and related reporting to the credit union officials have been consolidated with the "L" or Liquidity rating. The Department believes that implementation of the distinct "S" rating is prudent at this time, given the fact that changes in interest rates influence a credit union's earnings by altering interest-sensitive income and expenses and capital based on the economic value impact on a credit union's assets and liabilities. Current market conditions, combined with the need for profitability to support growth, require greater risk exposure to maintain earnings. Further, as funding sources and investments become more complex in nature, management of a credit union's interest rate risk becomes more critical and distinct from the liquidity management processes.

While the "S" rating will now be separately reported, the Department's expectations for the management of market risk remain unchanged. The quality of management systems and expertise of management must be commensurate with the risk exposure. The separation of the Sensitivity component does not imply a requirement to develop enhanced management systems where market risk is already appropriately identified, measured, monitored, and controlled. Rather the addition of the Sensitivity rating is meant to ensure an appropriate dialogue between examiners and credit union management relative to this increasingly important risk area.

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## *Adding the "S" to CAMEL*

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Available on the Department's website is a set of [Answers](#) to potential questions from credit unions and examiners regarding the revised rating system. The purpose of the questions and answers is to provide additional interagency guidance and clarification regarding the revised rating system.

The revised rating system will be used on all examinations beginning on or after **September 1, 2014**.



## *Operating Fee*

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On August 28, 2014 the invoices for the first installment of the Operating Fee for Fiscal Year 2015 will be mailed to all credit unions. All fees must be received on or before **September 30, 2014** to avoid the payment of any penalties. If you do not receive an invoice, please contact Isabel Velasquez at (512) 837-9236.



## *The Importance of Strategic Planning*

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It can be hard to see the value of taking the time to create or revise a strategic plan. It is time consuming, it doesn't directly produce revenue, and it can seem a little touchy-feely to think of lofty mission statements and "strategic visions" for your business. However, even the most grounded-in-practicalities financial institutions can benefit from the strategic planning process. A strategic plan should guide the credit union's actions for the following three to five years, and, ideally, be reviewed annually. A third party may be contracted to help a credit union develop a strategic plan, or it may be developed in-house, using a variety of widely available tools.

Defining the Mission and Vision of the organization is the first and most important step. The Mission should be a broad statement of the purpose and values of the credit union. The Vision states the direction in which the business wants to move. The statements can help entities determine what is important in the later planning stages. If the proposed action supports the Mission and Vision, then it is important; if an action does not support the Mission, its value is limited. The next step is assessing the current conditions which affect the credit union and anticipating the changes it will face. Step three involves the development of strategies and goals that support the Vision and Mission. These set forth specific programs or actions the credit union will take and define how the institution will measure "success." The final part of the strategic planning process is the review of detailed business plans and day-to-day procedures to ensure that they conform to the new or modified strategic plan.



## *Cyber Security*

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Cyber security is an increasingly important requirement for credit unions and modern society. We exist in a data-centric world, where information technology and associated communications' networks and services pervade every aspect of our lives. This makes the protection of digital assets and activities in cyberspace of critical importance. But the challenge to understand cyber risk and deliver effective and accessible security becomes harder as technology continues to rapidly evolve and systems become ever more complex. We are increasingly dependent upon such information and communications infrastructures, and the threats we face are organized and evolving the skills to exploit our dependency to further their interests.

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## Cyber Security

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As a result, credit unions must be more aware of the diverse cyber threats they face and be proactive in protecting their members, data, networks and operations from theft, disruption and destruction. From criminals seeking financial gain to hackers committing corporate espionage or seeking to dislocate markets, cyber threat actors are becoming more sophisticated in their attack methods, making cyber security an area of risk that must be actively managed by credit unions similar to other areas or risks.



## 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>
September, 2014	Friday, September 12
October, 2014	Friday, October 17



## Applications Approved

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Applications approved since July 16, 2014 include:

<u>Credit Union</u>	<u>Changes or Groups Added</u>
<i>Field of Membership Changes – Approved:</i> <b>Associated Credit Union of Texas (#1) (League City)</b> <b>Associated Credit Union of Texas (#2) (League City)</b>	See Newsletter No. 05-14 See Newsletter No. 05-14
<i>Merger or Consolidation – Withdrawn:</i> <b>TCC Credit Union (Dallas) and Mobility Credit Union (Irving)</b>	See Newsletter No. 06-14
<i>Charter Change – Approved:</i> <b>Westex Community Credit Union (Kermit)</b>	50 Years to Perpetuity



## Applications Received

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The following applications were received and will be published in the August 29, 2014 issue of the *Texas Register*.

*Field of Membership Expansion:*

**InvesTex Credit Union** (Houston) -- To permit persons who live, work, worship, or attend school within a 10-mile radius of the InvesTex Credit Union Offices located at: Main office – 905 Aldine Bender Road, Houston, TX 77032; Cypresswood Branch – 230 Cypresswood, Spring, TX 77388; Atascocita Branch – 5212 Atascocita Rd., Humble, TX 77346; Tomball Parkway Branch – 24922 Tomball Parkway, Suite 100, Tomball, TX 77375; North Loop West Branch – 1614 North Durham, Houston, TX 77008; to be eligible for membership in the credit union.

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## Applications Received

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**Texas Dow Employees Credit Union** (Lake Jackson) -- To permit persons who live, work, worship or attend school in and businesses and other legal entities located within a 10-mile radius of the branch office located at 1777 Gears Rd., Houston, Texas 77067, 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 **City Credit Union** (Dallas) seeking approval to merge with **CICOST Federal Credit Union** (Sherman). City Credit Union will be 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.

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## Holiday Schedule for CUD

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The Department's office will be closed on **Monday, September 1, 2014**, in observance of Labor Day.

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*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

## Stay Cool

