



Newsletter

No. 11-21



November 17, 2021



Credit Union Department
914 East Anderson Lane
Austin, Texas 78752

Phone: 512-837-9236

Fax: 512-832-0278

Email: cudmail@tud.texas.gov

Web Site: www.cud.texas.gov

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.

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:

Yusuf E. Farran, Chair
Sherri Brannon Merket, Vice Chair
Elizabeth L. "Liz" Bayless
Karyn C. Brownlee
Beckie Stockstill Cobb
Steven "Steve" Gilman
Jim Minge
David F. Shurtz
Kay Rankin-Swan

Next Commission Meeting

Friday, March 11, 2022 beginning at 9:00 a.m. in the offices of CUD.

New General Counsel

We are happy to announce that Nancy S. Elmilady has joined the Department's staff as the new General Counsel. Prior to joining us, Ms. Elmilady worked in the General Counsel Division and Financial Litigation Division of the Office of the Attorney General. Prior to her time with OAG, she worked as a senior litigator for the Texas Medical Board and as a Special Prosecutor for the Texas Securities Board. She earned her Juris Doctorate degree from South Texas College of Law in Houston; and while she holds both Houston and her native town of Corpus Christi close to heart, Ms. Elmilady calls Austin home. Please feel free to reach-out and introduce yourself to her.



CFPB Asserts "name-only" Matching Falls Outside of FCRA

A consumer reporting agency that uses "name-only" matching procedures is not using reasonable procedures mandated under federal consumer protection laws, the CFPB said November 5th.

In an "advisory opinion," the bureau said that matching information to a particular consumer who is the subject of a consumer report based solely on whether the consumer's first and last names are identical or similar to the names associated with the information falls outside of the Fair Credit Reporting Act (FCRA). The agency termed the practice as "inadequate matching procedures to match information to consumers."

CFPB said it issued the advisory opinion to remind consumer reporting agencies that their matching practices must comply with their FCRA obligation to "follow reasonable procedures to assure maximum possible accuracy."

CFPB Asserts “name-only” Matching Falls Outside of FCRA (Continued)

The advisory opinion notes that consumer complaints CFPB has received – particularly about “incorrect information on your report” – reflect “significant consumer concern” about inaccuracies in consumer reports. Last year, the bureau said, companies provided responses to more than 191,000 such complaints, which represents approximately 68% of credit or consumer reporting complaints responded to by companies that year 14.

“Name-only matching,” the bureau asserted, is particularly likely to lead to inaccuracies in consumer reports. “Name-only matching occurs when a consumer reporting agency uses only first and last name to determine whether a particular item of information relates to a particular consumer, without using other personally identifying information such as address, date of birth, or Social Security number,” CFPB said.

The opinion asserts that matching information to a consumer who is the subject of a consumer report by name alone creates “significant accuracy concerns” because most names are shared with other consumers and, in some cases, with thousands of other consumers. “In preparing consumer reports, it is not a reasonable procedure to assure maximum possible accuracy to use insufficient identifiers to match information to the consumer who is the subject of the report,” the agency opined.

LINK:

[Fair Credit Reporting; Name-Only Matching Procedures](#)



Modernized Examination Processes

In August 2021, the NCUA issued a Letter to Credit Unions ([21-CU-08](#)) to all federally insured credit unions, providing an update regarding their modernization efforts and implementation of key software tools. These tools will streamline processes and procedures and will provide many benefits to examination processes. As many Texas state-chartered credit unions are probably already aware, the Department is transitioning from AIREs to these newer software tools in conjunction with NCUA’s changeover.

Currently, the Department’s examiners are participating in training to utilize the new examination tool called [MERIT \(Modern Examination and Risk Identification Tool\)](#). Once examiners complete MERIT training, they will immediately begin utilization of the MERIT program for examinations. MERIT will provide enhanced, integrated analytics to identify trends and potential risks in credit unions, as well as many additional benefits which should result in more streamlined and efficient examination processes.

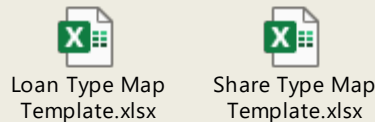
Upon transitioning to MERIT, the Department will immediately utilize the [Data Exchange Application \(DEXA\)](#) through NCUA Connect, to securely upload credit unions’ member loan and share data requested for the examination/supervision process. DEXA uses the same data schema outlined in NCUA Letter to Credit Unions ([03-CU-05](#)) which has been utilized for many years. Soon (early 2022), credit unions will also be able to securely upload share and loan data into DEXA; however, the Department

Modernized Examination Processes (Continued)

intends to defer this aspect of the examination program transition, to afford Department staff adequate time to adapt to the new MERIT examination processes.

The most important change with the use of DEXA is the requirement that credit unions provide share and loan “mapping files” in conjunction with share and loan downloads. The mapping files will document the credit union’s loan and share type codes. The mapping file templates are below:

Loan and Share Type Map Templates:



Credit unions are encouraged to complete these mapping file templates as soon as possible, as they will be requested as part of the examination notification and request list process.



Report Calls for only Federally Insured CUs, Banks to be Stablecoin Issuers

Payment stablecoins and their arrangements should be subject to a federal regulatory framework on a consistent and comprehensive basis through an act of Congress – including by requiring that stablecoins may only be issued by federally insured credit unions and banks, according to a report issued this by a presidential working group focusing on the digital currencies.

Issued by the Treasury Department’s “President’s Working Group on Financial Markets,” along with the FDIC and the OCC, the report also said that such federal legislation would complement existing authorities held by federal regulators meant to ensure market integrity, investor protection and prevention of illicit finance.

“Stablecoins that are well-designed and subject to appropriate oversight have the potential to support beneficial payments options,” said Treasury Secretary Janet L. Yellen in a statement. “But the absence of appropriate oversight presents risks to users and the broader system.”

The report’s conclusions are being interpreted by some that stablecoin issuers would have to secure either a bank or credit union charter before participating with the payment method. In any event, a key recommendation is that legislation be enacted that only allows stablecoins to be issued by federally insured financial institutions.

Key concerns that should be addressed in legislation, according to the report, include:

Report Calls for only Federally Insured CUs, Banks to be Stablecoin Issuers (Continued)

- **Risks to stablecoin users and protection against stablecoin runs**, which legislation should address by requiring stablecoin issuers to be insured depository institutions, “which are subject to appropriate supervision and regulation, at the depository institution and the holding company level.”
- **Payment system risk**, which legislation should address by requiring custodial wallet providers to be subject to appropriate federal oversight. “Congress should also provide the federal supervisor of a stablecoin issuer with the authority to require any entity that performs activities that are critical to the functioning of the stablecoin arrangement to meet appropriate risk-management standards,” the report stated.
- **Systemic risk and concentration of economic power**, which should be addressed by legislation that requires stablecoin issuers to comply with activities restrictions that limit affiliation with commercial entities. “Supervisors should have authority to implement standards to promote interoperability among stablecoins,” the report asserts. “In addition, Congress may wish to consider other standards for custodial wallet providers, such as limits on affiliation with commercial entities or on use of users’ transaction data.”

In the meantime, the report states, the FDIC and OCC are committed to taking action to address risks falling within their jurisdictions, “including efforts to ensure that stablecoins and related activities comply with existing legal obligations, as well as to continued coordination and collaboration on issues of common interest.”

The report states that while Congressional action is “urgently needed” to address the risks inherent in payment stablecoins, “in the absence of such action, the agencies recommend that the Financial Stability Oversight Council (FSOC) consider steps available to it to address the risks outlined in this report.”

The report also notes that work on digital assets and other payment innovations related to cryptographic and distributed ledger technology is ongoing throughout the Biden Administration. “The administration and the financial regulatory agencies will continue to collaborate closely on ways to foster responsible financial innovation, promote consistent regulatory approaches, and identify and address potential risks that arise from such innovation,” the report stated.

LINK:

[President’s Working Group on Financial Markets Releases Report and Recommendations on Stablecoins](#)

~~~~~

## **Publication Deadlines**

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.

| <b><u>Publication Date</u></b> | <b><u>Application Deadline</u></b> |
|--------------------------------|------------------------------------|
| December 2021                  | Friday, December 10                |
| January 2022                   | Friday, January 14                 |



## **Applications Approved**

Applications approved since October 20, 2021.

---

| <b><u>Credit Union</u></b>                    | <b><u>Changes or Groups Added</u></b>    |
|-----------------------------------------------|------------------------------------------|
| <b><u>Field of Membership – Approved:</u></b> |                                          |
| FivePoint CU (Nederland)                      | <a href="#">See Newsletter No. 08-21</a> |
| Tyler City Employees CU (Tyler)               | <a href="#">See Newsletter No. 09-21</a> |
| Brazos Valley Schools CU (Katy)               | <a href="#">See Newsletter No. 08-21</a> |
| My CU (Haslet)                                | <a href="#">See Newsletter No. 08-21</a> |

### **Merger or Consolidation – Approved:**

CoastLife CU (Corpus Christi) and Third Coast FCU (Corpus Christi) [See Newsletter No. 03-21](#)

### **Articles of Incorporation Change – Approved:**

An application was received from **My Credit Union** (Haslet) to amend its Articles of Incorporation relating to principal place of business.

## **Applications Received**

The following applications were received and will be published in the **November 26, 2021** issue of the *Texas Register*.

---

### **Foreign Credit Union to Operate a Branch Office**

An application was received from **Technology Credit Union**, San Jose, California to operate a Foreign (Out of State) Branch Office to be located in the area of Austin, Texas.



## *Applications Received (Continued)*

### Merger or Consolidation

An application was received from **Neighborhood Credit Union** (Dallas) seeking approval to merge with **Pollock Employees Credit Union** (Dallas), with Neighborhood Credit Union being the surviving credit union.



## *Upcoming Holiday Schedule for CUD*

The Department's office will be closed on **November 26-27, 2021** in observance of Thanksgiving.

*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

