



Newsletter

No. 08-19



August 21, 2019



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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.

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, November 1, 2019 beginning at 9:00 a.m. in the offices of CUD.

Operating Fee

During the week of August 26th, invoices for the first installment of the Operating Fee for Fiscal Year 2020 will be mailed to all credit unions. All fees must be received on or before **September 30, 2019** to avoid the payment of any penalties. If you do not receive an invoice, please contact Isabel Velasquez at (512) 837-9236.



Asset Liability Management Check-Up Time

For the first time in eleven years, the Federal Reserve lowered interest rates in July. As the economy has been slowing down and future interest rate cuts appear likely, now is a good time to review your asset liability management. Review your loan, share and deposit rates; you may need to make adjustments if interest rates go lower and economic conditions change.

Lower interest rates will put pressure on your net margins as investment income and loan income will fall. Mortgage rates are already significantly lower now than at the beginning of 2019. It will be important to adjust your cost of funds and control operating expenses to maintain good profitability.



Invitation for Comments on Proposed Amendments to Rules

As part of the rulemaking process, the Department is currently seeking comments on proposed changes to the following rules:

- **7 TAC Section 91.101** (Definitions and Interpretations). The proposed amendment to this rule would define the term “consolidated CUSO” utilized in Section 91.401 and fix minor grammar errors.
- **7 TAC Section 91.801** (Investments in Credit Union Service Organizations). The proposed amendment to this rule would make state rules consistent with the federal regulations governing the authority of Credit Union Service Organizations (CUSOs) that provide property management services. Furthermore, the language is presented to clearly document state credit union authority to invest in CUSOs providing property management services.
- **7 TAC Section 91.803** (Investment Limits and Prohibitions). The proposed amendment to this rule would clarify that the limits in Section 91.803 apply to loan participation investments and differ from the member loan participation lending limits found in Section 91.711 and in Texas Finance Code, Title 3, Subtitle D, Section 124.003. Furthermore, the language is presented to clarify that limits imposed by Section 91.803 apply only to investments as outlined by the Subchapter heading and to provide minor grammar edits.
- **7 TAC Section 91.901** (Reserve Requirements). The proposed amendment to this rule would match deadlines for waiver applications contained in in NCUA 12 C.F.R. Part 702.201, relating to Prompt Corrective Action (PCA) requirements for waiver applications. Furthermore, the language is presented to ensure deadline uniformity between the state and federal regulatory agencies in a waiver process.
- **7 TAC Section 91.1003** (Mergers/Consolidations). The proposed amendments to this rule would reference Hart-Scott Rodino Act (HSRA) requirements of proposed mergers instead of repeating specific thresholds within the HSRA that change over time. Furthermore, the language is presented to refer institutions directly to the federal HSRA language and its specific requirements and thresholds instead of duplicating all, or part of the federal provision, within the state rule. Currently the Rule refers to an outdated dollar threshold for measurement of HSRA applicability. This improves the current rule, which does not refer to all of the tests used to determine if HSRA applies to a merger transaction.

The proposed text for each rule is available at <http://cud.texas.gov/credit-union-laws-rules/proposed-recently-adopted-commission-rules>. You may submit comments by email to cudmail@cud.texas.gov. The deadline to submit comments is the close of business on **September 9, 2019**.



Proposed Rule Review

The Texas Credit Union Commission will review and consider for re-adoption, revision, or repeal Chapter 91, §§**91.2000**, (Purpose and Scope), **91.2001** (Definitions), **91.2002** (Application Requirements to Establish a District), **91.2003** (Submission and Processing of Application), **91.2004** (Criteria for Approval of a District by the Commission), **91.2005** (Monitoring), **91.2006** (Rulemaking and Amendment for this Subchapter), **91.6001** (Fiduciary Duties), **91.6002** (Fiduciary Capacities), **91.6003** (Notice Requirements), **91.6004** (Exercise of Fiduciary Powers), **91.6005** (Exemption from Notice), **91.6006** (Policies and Procedures), **91.6007** (Review of Fiduciary Accounts), **91.6008** (Recordkeeping), **91.6009** (Audit), **91.6010** (Custody of Fiduciary Assets), **91.6011** (Trust Funds), **91.6012** (Compensation, Gifts, and Bequests), **91.6013** (Bond Coverage), **91.6014** (Errors and Omissions Insurance), and **91.6015** (Litigation File).

An assessment will be made by the Commission as to whether the reasons for adopting or readopting these rules continue to exist. Each rule will be reviewed to determine whether it is obsolete, whether the rule reflects current legal and policy considerations, and whether the rule reflects current procedures of the Credit Union Department.

Comments or questions regarding these rules may be submitted in writing to, Credit Union Department, 914 East Anderson Lane, Austin, Texas 78752-1699, or electronically to cudmail@cud.texas.gov. The deadline for comments is **September 21, 2019**.

The Commission also invites your comments on how to make these rules easier to understand. For example:

- Do the rules organize the material to suit your needs? If not, how could the material be better organized?
- Do the rules clearly state the requirements? If not, how could the rule be more clearly stated?
- Do the rules contain technical language or jargon that isn't clear? If so, what language requires clarification?
- Would a different format (grouping and order of sections, use of headings, paragraphing) make the rule easier to understand? If so, what changes to the format would make the rule easier to understand?
- Would more (but shorter) sections be better in any of the rules? If so, what sections should be changed?

Any proposed changes to these rules as a result of the rule review will be published in the Proposed Rule Section of the *Texas Register*. The proposed rules will be open for public comment prior to final adoption by the Commission.

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## ***Settlement with Equifax Includes \$425 Million Consumer Fund***

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Up to \$700 million in monetary relief and penalties would be provided in a settlement between credit reporting agency Equifax and the CFPB and other federal and state agencies, the agencies said this week. The bureau was joined by the Federal Trade Commission (FTC), 48 states, the District of Columbia and Puerto Rico in announcing the agreement with Equifax. According to the agencies, the settlement (if agreed to by a federal court) would provide up to \$425 million in monetary relief to consumers, a \$100 million civil money penalty, and other relief.

The settlement is in response to a complaint and proposed stipulated judgment filed in federal district court in the Northern District of Georgia by the CFPB. The bureau alleged that Equifax engaged in unfair and deceptive practices in connection with the September 2017 data breach of Equifax's systems that, the bureau said, affected approximately 147 million consumers. The bureau said the breach resulted in exposure of consumers' sensitive personal information, including names, addresses, social security numbers, and dates of birth.

According to CFPB, the settlement requires Equifax to establish a consumer fund with up to \$425 million available to provide affected consumers "with a broad array of redress."

The fund, the agency said, would be used to provide reimbursements to affected consumers for time and money they spent related to the breach. If approved by the court, CFPB said, affected consumers may be eligible to receive money by filing one or more claims for up to \$20,000 per consumer for lost time and money.

The bureau said all affected consumers would be eligible to receive at least 10 years of free credit-monitoring, at least seven years of free identity-restoration services, and, beginning Dec. 31, 2019 and for the next seven years, all U.S. consumers may request up to six free copies of their Equifax credit report during any 12-month period.

CFPB said the free copies would be provided to requesting consumers in addition to any free reports to which they are entitled under federal law.

If consumers choose not to enroll in the free credit monitoring product available through the settlement, they may seek up to \$125 as a reimbursement for the cost of a credit-monitoring product of their choice.

LINK:

[CFPB, FTC and States Announce Settlement with Equifax Over 2017 Data Breach](#)



## ***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> |
|-------------------------|-----------------------------|
| September 2019          | Friday, September 13        |
| October 2019            | Friday, October 11          |



## ***Applications Approved***

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Applications approved since **July 17, 2019** include:

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| <u>Credit Union</u>                                                          | <u>Changes or Groups Added</u>           |
|------------------------------------------------------------------------------|------------------------------------------|
| Field of Membership – Approved:                                              |                                          |
| <b>Energy Capital Credit Union</b> (Houston)                                 | <a href="#">See Newsletter No. 05-19</a> |
| <b>Brazos Valley Schools CU</b> (Katy)                                       | <a href="#">See Newsletter No. 06-18</a> |
| <b>West Texas CU</b> (Odessa)                                                | <a href="#">See Newsletter No. 04-19</a> |
| Merger or Consolidation – Approved:                                          |                                          |
| <b>S.W.E. Federal CU</b> (Longview) and <b>East Texas Professional CU</b>    | <a href="#">See Newsletter No. 02-19</a> |
| <b>Southeast Texas Employees Federal CU</b> (Orange) and <b>FivePoint CU</b> | <a href="#">See Newsletter No. 03-19</a> |



## ***Applications Received***

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The following application was received and will be published in the **August 30, 2019** issue of the *Texas Register*.

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Merger or Consolidation:

An application was received from **East Texas Professional Credit Union** (Longview) seeking approval to merge with **Letourneau Federal Credit Union** (Longview), with East Texas Professional Credit Union being the surviving credit union.

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

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Articles of Incorporation:

**South Texas Area Resources Credit Union** (Corpus Christi) – The credit union is proposing to change its name to STAR Financial Credit Union.



*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

