



# Newsletter

No. 08-21



August 18, 2021



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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:

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, August 27, 2021 beginning at 9:00 a.m. in the offices of CUD.

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## Operating Fee

During the week of August 23<sup>rd</sup>, invoices for the first installment of the Operating Fee for Fiscal Year 2022 will be mailed to all credit unions. All fees must be received on or before **September 30, 2021** to avoid the payment of any penalties. If you do not receive an invoice, please contact Isabel Velasquez at (512) 837-9236.



## New Forms Available on CUD Website

Credit Unions are encouraged to revisit the Department's website at [www.cud.texas.gov](http://www.cud.texas.gov) when needing forms for applications of bylaw changes, FOM applications, charter applications, mergers and notice and disclosure forms. These forms are regularly updated to reflect changes in the credit union rules and the Texas Finance Code such as those initiated due to SB 707, the Credit Union Department Sunset Bill.

"Current forms have been updated to reflect more precise filing instructions, removal of the notary signature requirements, improved formatting and you can now fill out the form digitally."

"I would highly recommend as you need specific forms you come back to the Department's website to ensure the form you're utilizing is the most current and correctly reflects today's statutory and regulatory requirements.", stated Commissioner John J. Kolhoff. "Department staff work very hard to ensure the forms and their instructions assist the intended user in meeting the supervisory requirements for that specific forms purpose and keep them updated as rules and laws change."

## **[New Forms Available on CUD Website \(Continued\)](#)**

To download any of the new forms simply go to [www.cud.texas.gov](http://www.cud.texas.gov) and click on the drop down header title “FORMS”. This will provide a drop-down list of necessary credit union industry forms by type.

Please let us know if you have questions relating to a form, or even comments/suggestions on how to improve the forms by sending us an email or giving us a call in the office.



## **[Alert Urges Review of Mortgage Servicing Rules](#)**

NCUA issued a regulatory alert warning, credit unions should review and understand a June 30 rule temporarily amending certain mortgage servicing requirements under the Consumer Financial Protection Bureau’s (CFPB) Regulation X. The temporary rule was issued to assist borrowers affected by the COVID-19 emergency.

The alert noted that the CFPB rule only applies to servicers that service mortgages secured by a borrower’s principal residence. The rule – which takes effect Aug. 31 — does not apply to small servicers, the agency said.

Key provisions of the rule, NCUA said, are that it:

- Defines a COVID-19 related hardship as “a financial hardship due, directly or indirectly, to the national emergency for the COVID-19 pandemic” declared March 13, 2020 (beginning on March 1, 2020) and continued Feb 24 of this year.
- Modifies early intervention requirements of live-contact messages and reasonable diligence obligations to “help ensure that borrowers experiencing a COVID-19 related hardship have timely and accurate information about their loss mitigation options.” That includes that servicers must take additional actions, until Oct. 1, 2022, during live contacts related to a COVID hardship.
- Permits servicers to offer loan modifications to borrowers facing a COVID-19 related hardship based on an evaluation of an incomplete application if specified criteria are met.
- Sets up temporary COVID loss mitigation procedural safeguards to ensure a borrower has a “meaningful opportunity to pursue loss mitigation options.” NCUA said that, from Aug. 31 through Dec. 31 – unless an exception applies – a servicer must meet at least one of the specified safeguards before initiating any judicial or non-judicial foreclosure process where a borrower became more than 120 days delinquent on or after March 1, 2020, and the applicable state statute of limitations regarding foreclosures expires on or after Jan. 1, 2022.

**LINK:**

**[NCUA Reg Alert 21-RA-08 \(July 2021\): CFPB Amends Mortgage Servicing Requirements for Borrowers Affected by the COVID-19 Emergency](#)**



**[NCUA Letter to Credit Unions 21-CU-07](#)**  
**[Capitalization of Unpaid Interest](#)**

On June 24, 2021, the NCUA Board unanimously voted to lift the prohibition of capitalization of interest in connection with loan workouts and modifications from [Part 741, Appendix B](#). The rule became effective July 30, 2021 and applies to loan workouts and modifications on or after this date. The rule establishes documentation requirements to help ensure that the addition of unpaid interest to the principal balance of a loan does not hinder the borrower’s ability to repay the loan. The link to the letter below includes FAQs regarding considerations to be addressed when initiating this type of activity.

For borrowers experiencing financial hardship, a prudently underwritten and appropriately managed loan modification, consistent with safe and sound lending practices, is generally in the long-term best interest of both the borrower and the credit union. Modification options include lowering of loan payments or the interest rate, extending the maturity date, partial principal or interest forgiveness, and capitalization of interest. Such modifications may allow a borrower to repay the loan, which helps the borrower and the credit union avoid the costs of default and foreclosure. ([Read the Letter to Credit Unions](#))



**[Pandemic Related Delinquent Loan Trends](#)**

Since early 2020 credit unions have faced heightened pressure to generate loans to support operating costs and maintain capital positions, and to mitigate credit risk associated with borrower’s challenges during the pandemic. While delinquencies in most consumer collateralized loan categories improved, some other key loan categories for aggregated Texas chartered credit unions have experienced notable surges in delinquencies. Specifically, reportable delinquencies rose well above pre-pandemic levels for participation loans, real estate loans and commercial loans. During 2020, delinquencies in these categories increased by 98.5 percent, 59.5 percent and 50.2 percent, respectively; as detailed in the following table:

<b>Delinquent Loan Comparisons</b>				
<b>(\$ - In Millions)</b>				
<b>Loan Types</b>	<b>2019</b>	<b>2020</b>	<b>\$ Increase</b>	<b>% Increase</b>
<b>Participation Loans</b>	<b>\$3.84</b>	<b>\$7.63</b>	<b>\$3.79</b>	<b>98.5%</b>
<b>Real Estate Loans</b>	<b>\$80.72</b>	<b>\$128.79</b>	<b>\$48.07</b>	<b>59.5%</b>
<b>Commercial Loans</b>	<b>\$18.99</b>	<b>\$28.52</b>	<b>\$9.53</b>	<b>50.2%</b>

## **Pandemic Related Delinquent Loan Trends (Continued):**

The Department encourages Texas state-chartered credit unions to continue utilizing appropriate and reasonable collection efforts and workout plans to mitigate risk of loan loss, especially in categories of increased risk. As has been the case throughout the pandemic, the Department will continue to recognize credit union efforts to provide practical relief and support for borrowers, when those efforts are performed reasonably, and with appropriate controls and oversight to manage the impact on an institutions risk profile.



## **FFIEC Digital Banking Risk Guidance Revised**

Revised guidance on effective authentication and access risk management principles and practices related to digital banking services and information systems was issued this week by state and federal financial institution regulators through the Federal Financial Institutions Examination Council (FFIEC).

The guidance, issued by the regulators as FFIEC members (including the State Liaison Committee (SLC)), replaces direction issued in 2005 and 2011 on Internet-based services, focusing not only on customer access but also access by employees and third parties, according to the FFIEC.

“This Guidance acknowledges significant risks associated with the cybersecurity threat landscape that reinforce the need for financial institutions to effectively authenticate users and customers to protect information systems, accounts, and data,” the guidance states in its introduction. “The Guidance also recognizes that authentication considerations have extended beyond customers and include employees, third parties, and system-to-system communications.”

The exam council said the revised guidance:

- Highlights the current cybersecurity threat environment including increased remote access by customers and users, as well as raids that leverage compromised credentials; and mentions the risks arising from push payment capabilities.
- Recognizes the importance of the financial institution’s risk assessment to determine appropriate access and authentication practices to determine the wide range of users accessing financial institution systems and services.
- Supports a financial institution’s adoption of layered security and underscores weaknesses in single-factor authentication.
- Discusses how multi-factor authentication or controls of equivalent strength can more effectively mitigate risks.
- Includes examples of authentication controls, and a list of government and industry resources and references to assist financial institutions with authentication and access management.

**LINK:**

**[FFIEC Issues Guidance on Authentication and Access to Financial Institution Services and Systems](#)**



## **NASCUS 101 Webinars**

Just a reminder that NASCUS is offering a series of webinars that covers the many ways NASCUS members can reap the most of their memberships. The most recent was held on August 12. In just 30 minutes, the concise, but detailed, overview touches on NASCUS legislative and regulatory (L&R) resources, educational offerings and webinars, member engagement, as well as news and data.

Additionally, the program shows members how to volunteer for a committee or working group, personalize member communications and sign up for regulatory and security alerts – as well as how to connect with other members to exchange ideas and collaborate. Also highlighted during the session: NASCUS’ latest product, Campus 365 (powered by BAI), which helps members hone their compliance and professional skills training, and more.

The bi-monthly series — free and open to all NASCUS members — illustrates how collaboration among all 45 regulatory agency members, committees, credit unions, leagues, corporates, trade associations, and CUSOs can support the credit union system.

In addition to the August session, NASCUS 101 is also scheduled for Oct. 14 and Dec. 9. See the link below for more details, including registration.

**LINK:**

[NASCUS 101 \(via the NASCUS Member Portal\)](#)



## **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>
September 2021	Friday, September 10
October 2021	Friday, October 15



## **Applications Approved**

Applications approved since July 21, 2021.

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**Credit Union**

**Changes or Groups Added**

### **Field of Membership – Approved:**

**Brazos Star Credit Union (College Station)**

[See Newsletter No. 06-21](#)

## **Applications Approved (Continued)**

### **Merger or Consolidation - Approved:**

**Plus4 CU** (Houston) and **Houston Metropolitan FCU** (Houston)

[See Newsletter No. 06-21](#)

## **Applications Received**

The following applications were received and will be published in the **August 27, 2021** issue of the *Texas Register*.

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### **Field of Membership**

**FivePoint Credit Union** (Nederland) – Persons who live, work, worship or attend school in Chambers, Galveston, Grimes, Harris, Liberty, Polk, San Jacinto, Tyler, Walker and Waller Counties, Texas, to be eligible for membership in the credit union.

**Credit Union of Texas** (Allen) – Persons who work, live, worship, or attend school within the geographic boundaries of Gregg, Camp, Smith, Upshur, Wood, Morris, Harrison and Marion Counties, Texas, to be eligible for membership in the credit union.

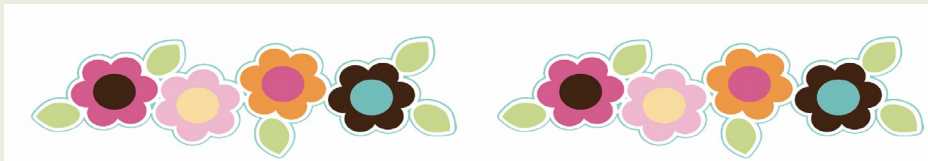
**My Credit Union** (Haslet) – Persons who live, work, worship, or attend school in and business and other legal entities located in Denton, Wise, Johnson, and Smith Counties, Texas, to be eligible for membership in the credit union.

**First Central Credit Union** (Waco) – Persons who live, work, worship, or attend school within the boundaries of Navarro County, Texas, to be eligible for membership in the credit union.

**Brazos Valley Schools Credit Union** (Katy) – Persons who live, worship, work or attend school within the boundaries of all public schools within Burleson, Colorado, Fayette and Lee Counties, Texas, to be eligible for membership in the credit union.

### **Merger or Consolidation:**

An application was received from **All Saints Catholic Federal Credit Union** (Fort Worth) seeking approval to merge with **Fort Worth City Credit Union** (Fort Worth), with the latter being the surviving credit union. In accordance with the Finance Code §122.005(b) and 7 TAC §91.104(b), the Commissioner has the authority to waive or delay public notice of an action.





*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

