

# AGENCY STRATEGIC PLAN

## FISCAL YEARS 2017 TO 2021

### BY THE

## CREDIT UNION DEPARTMENT STATE OF TEXAS

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### CREDIT UNION COMMISSION OF TEXAS

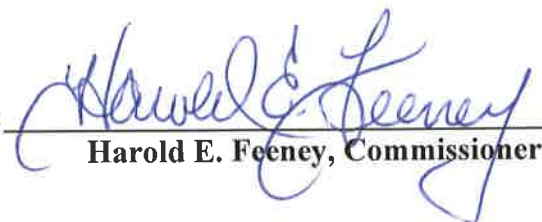
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<u>Commission Member</u>	<u>Dates of Term</u>	<u>Hometown</u>
Manuel "Manny" Cavazos, Chair	May 26, 2006 to February 15, 2017	Austin, Texas
Sherri Brannon Merket	April 13, 2011 to February 15, 2017	Midland, Texas
Gary D. Tuma	April 13, 2011 to February 15, 2017	Sugar Land, Texas
Allyson "Missy" Morrow	May 23, 2007 to February 15, 2019	San Benito, Texas
Barbara "Kay" Stewart	April 10, 2013 to February 15, 2019	Lone Star, Texas
Vik Vad	April 10, 2013 to February 15, 2019	Austin, Texas
Beckie Stockstill Cobb	July 16, 2015 to February 15, 2021	Dear Park, Texas
Yusuf Farran	July 16, 2015 to February 15, 2021	El Paso, Texas
Steven "Steve" Gilman	July 16, 2015 to February 15, 2021	Katy, Texas

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DATE OF SUBMISSION, JUNE 15, 2016

SIGNED:

  
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Harold E. Feeney, Commissioner

APPROVED:

  
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Manuel "Manny" Cavazos, Commission Chair

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## **PART 1. STRATEGIC PLAN**

### **AGENCY MISSION**

The mission of the Credit Union Department is to safeguard the public interest, protect the financial interests of credit union members, and promote public confidence in the credit union industry in accordance with TEX. FIN. CODE §15.102.

### **AGENCY PHILOSOPHY**

The Credit Union Department will serve the public, credit unions and their members, exercising the highest standards of regulatory oversight, emphasizing professionalism and personal ethics. The Department will guide credit unions toward continuous improvement in financial strength and effectiveness in the provision of financial services to their members. Supervision and examination will be fairly and consistently administered as appropriate to ensure fiscal integrity of the industry. Preservation of public confidence in credit unions and the protection of members' interests, and shares and deposits of credit unions will remain a principal focal point of the agency. This will be accomplished through effective regulation and open communication with credit unions and the general public.

### **AGENCY OVERVIEW**

The Credit Union Department ("Department"), under the oversight of the Credit Union Commission ("Commission"), is charged with assuring the safety and soundness of state-chartered credit unions in Texas. The agency also oversees branches of out-of-state credit unions operating in the state.

### **INFORMATION RESOURCES PLANNING**

The Department's examiner computers and examination database and programs are leased from the National Credit Union Administration ("NCUA"). The Department through written agreement utilizes the same examination platform as NCUA in carrying out its regulatory and supervisory duties and responsibilities. The maintenance and upkeep of both the computer hardware and software are done by NCUA. Outside the Department's examination and supervision activities are the administrative activities related to operating the Department and supporting the public interest. In fulfilling these duties and responsibilities, the Department maintains an information technology ("IT") infrastructure supported by internal and external resources.

Much of the work performed by the Department is dependent upon communication with the public, the credit union industry and other regulators. The use of electronic examination tools and databases is key to properly performing the Department's functions. The IT systems, which handles sensitive and confidential information, must be reliable and secure. As well, the staff must be responsive and knowledgeable so regulatory processes are compatible with those with whom we collaborate.

The Electronic Document Management System is the overall information technology plan that will free the Department from the costs associated with having to send paper copies of all correspondence and will allow the Department staff to look at each file of credit unions online. Phase II of the Electronic Document Management System, the SharePoint Document Repository, is currently being initiated. Additional resources, however, will be needed to fully integrate a database management system before it can be fully functional.

### **CONTRACT MANAGER TRAINING**

Contract management refers to the entire contracting process, which involves planning, forming, and administering contracts through closeout. Contract management activities include administering and monitoring a contract after the award and during contract implementation by measuring completed work, computing and approving payments, monitoring contract performance, incorporating necessary changes and modifications to the contract, and actively interacting with the contractor. Contract management staff will follow the Credit Union Department Contract Management Guide and Handbook along with the Texas Comptroller of Public Account's State Contract Management Guide to achieve contract objectives. The Assistant Commissioner/General Counsel shall obtain the Certified Texas Contract Manager certification and shall pursue all the continuing education requirements to keep that certification current.

# PART 1. STRATEGIC PLAN

## AGENCY GOALS AND ACTION PLAN

<b>AGENCY OPERATIONAL GOAL AND ACTION PLAN</b>
<i>Goal 1. To ensure a safe and sound credit union industry.</i>
<b>SPECIFIC ACTION ITEMS TO ACHIEVE YOUR GOAL</b> <ol style="list-style-type: none"><li>1. The Department anticipates, understands, addresses, and communicates risk to credit unions.</li><li>2. The Department cooperates with other regulatory authorities on common interests.</li><li>3. Supervisory methods and analytical tools keep pace with industry changes and appropriately support the broader mission of the Department.</li></ol>
<b>DESCRIBE HOW YOUR GOAL OR ACTION ITEMS SUPPORTS EACH STATEWIDE OBJECTIVE</b> <ol style="list-style-type: none"><li>1. Accountable to tax and fee payers of Texas.<ul style="list-style-type: none"><li>• Ensuring no state funds are spent on Department operations; as a self-directed, semi-independent agency, the Department's revenue is derived from state chartered credit unions fees and assessments.</li><li>• Being a prudent steward of its financial resources.</li><li>• Providing transparency through its reporting.</li><li>• Establishing the appropriate regulatory framework.</li><li>• Complying with the examination requirements of 7 TAC Section 97.105.</li></ul></li><li>2. Efficient such that maximum results are produced with a minimum waste of taxpayer funds, including through the elimination of redundant and non-core functions.<ul style="list-style-type: none"><li>• Ensuring risk-based supervision is properly implemented and focused on material risks to the industry and individual credit unions.</li><li>• Identifying emerging risk areas related to industry and individual credit unions.</li><li>• Working effectively with the NCUA, private share insurance providers, and other state regulators to identify and address risks and emerging issues.</li><li>• Resolving problem credit unions in a timely fashion, effectively, and when possible, without loss to the share insurance provider.</li></ul></li><li>3. Effective in successfully fulfilling core functions, measuring success in achieving performance measures and implementing plans to continuously improve.<ul style="list-style-type: none"><li>• Resolving problem credit unions in a timely fashion, effectively, and when possible, without loss to the share insurance provider.</li><li>• Ensuring risk-based supervision is properly implemented and focused on material risks to the industry and individual credit unions.</li><li>• Identifying emerging risk areas related to industry and individual credit unions.</li><li>• Taking prompt and effective enforcement actions when warranted.</li></ul></li><li>4. Providing excellent customer service.<ul style="list-style-type: none"><li>• Implementing and developing new coordination and collaboration agreements with NCUA, private share insurance providers, and other applicable state regulators regarding supervisory activities performed in credit unions and information exchange</li><li>• Working effectively with the NCUA, private share insurance providers, and other state regulators to identify and address risks and emerging issues.</li></ul></li><li>5. Transparent such that agency actions can be understood by any Texan.<ul style="list-style-type: none"><li>• Complying with the examination requirements of 7 TAC Section 97.105.</li><li>• Implementing and developing new coordination and collaboration agreements with NCUA, private share insurance providers, and other applicable state regulators regarding supervisory activities performed in credit unions and information exchange.</li><li>• Adhering to performance measures.</li></ul></li></ol>
<b>DESCRIBE ANY OTHER CONSIDERATIONS RELEVANT TO YOUR GOAL OR ACTION ITEM</b> <ul style="list-style-type: none"><li>• The Department fosters safe and sound credit union practices through regular risk-focused examinations, publication of guidances and policies, ongoing communications with credit union officials, and the review</li></ul>

## PART 1. STRATEGIC PLAN

of applications submitted by credit unions to expand activities. When appropriate, the Department has a range of informal and formal enforcement options available to resolve safety and soundness problems identified at these institutions. The Department also devotes resources to administering off-site monitoring programs and to enhance its ability to timely identify emerging safety and soundness issues and trends.

- Should a situation arise where a noncompliant business is discovered, the Department has statutory authority to take enforcement action against the entity. Disputes are investigated by staff and every attempt is made to bring about a fair resolution. State leadership and other interested parties are routinely provided information about credit unions, and the associated laws, rules, policies, and practices of the Department.
- This strategic plan reaffirms the Department's mission to ensure that credit unions operate in a safe and sound manner, provide fair access to credit union services, treat members fairly, and comply with applicable laws and rules. The plan presents a vision in which the Department is a preeminent agency that adds value through proactive and risk-based supervision, is sought after as a source of knowledge and expertise, and promotes a vibrant and diverse credit union system that benefits the Texas economy. To succeed in that mission and achieve that vision, the Department commits itself to the core values of integrity, expertise, collaboration, and independence—values that always have been the bedrock of the Department's culture.
- The Department works closely with federal and other state regulators to provide credit unions seamless supervision, minimal disruption and costs, and effective use of resources. The Department continues its joint examination program entered into with the National Credit Union Administration (NCUA) in 2003. The joint examination results in more efficient and less burdensome examinations for credit unions.

### AGENCY OPERATIONAL GOAL AND ACTION PLAN

*Goal 2. To provide a flexible regulatory framework that enables credit unions to provide a full competitive array of financial services.*

#### SPECIFIC ACTION ITEMS TO ACHIEVE YOUR GOAL

1. Each Commission rule is current, clearly written, and necessary for an effective supervisory process.
2. The Department supports credit union efforts to remain competitive, consistent with safety and soundness.
3. Credit union application procedures are efficient and consistent with safety and soundness.

#### DESCRIBE HOW YOUR GOAL OR ACTION ITEMS SUPPORTS EACH STATEWIDE OBJECTIVE

1. Accountable to tax and fee payers of Texas.
  - Ensuring no state funds are spent on Department operations; as a self-directed, semi-independent agency, the Department's revenue is derived from state chartered credit unions fees and assessments.
  - Being a prudent steward of its financial resources.
  - Providing transparency through its reporting.
  - Drafting, amending, and implementing rules to fulfill Legislative directives and to ensure relevance to current conditions.
  - Implementing rulemaking through successful collaboration and consultation with interested parties.
  - Communicating attributes of the state charter within and outside the Department.
  - Implementing and maintaining processes for prompt screening of applications.
2. Efficient such that maximum results are produced with a minimum waste of taxpayer funds, including through the elimination of redundant and non-core functions.
  - Drafting, amending, and implementing rules to fulfill Legislative directives and to ensure relevance to current conditions.
  - Developing and modernizing attributes of the credit union charter and the role and status of the industry.
  - Enhancing communication with NCUA and other state regulators to facilitate better coordination on issues affecting credit unions.
  - Implementing and maintaining processes for prompt screening of applications.

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- Enhancing existing technology solutions that support effective application operations.
- 3. Effective in successfully fulfilling core functions, measuring success in achieving performance measures and implementing plans to continuously improve.
  - Meet or exceed performance measures.
  - Conducting the mandatory rule review in accordance with Commission's approved plan.
  - Implementing and maintaining processes for prompt screening of applications.
  - Establishing policies and procedures that provide clear and comprehensive guidance.
  - Enhancing existing technology solutions that support effective application operations.
- 4. Providing excellent customer service.
  - Accessible staff who are a resource for consumers and the regulated industry.
  - Supporting the continued recognition of the attributes of the state credit union charter through appropriate opinions and rules.
  - Investigate and resolve customer complaints in a timely manner.
  - Establishing policies and procedures that provide clear and comprehensive guidance.
  - Enhancing existing technology solutions that support effective application operations.
  - Providing useful information for consumers and the regulated industry on the Department's website.
- 5. Transparent such that agency actions can be understood by any Texan.
  - Adhering to performance measures.
  - Implementing rulemaking through successful collaboration and consultation with interested parties.
  - Communicating attributes of the state charter within and outside the Department.
  - Establishing policies and procedures that provide clear and comprehensive guidance.

### DESCRIBE ANY OTHER CONSIDERATIONS RELEVANT TO YOUR GOAL OR ACTION ITEM

- The Department places a high priority on its responsiveness to inquiries, requests, and complaints from citizens, members, credit unions, public officials, and other state and federal governmental entities. Pursuant to statute, the Department accepts complaints against credit unions and reviews them for potential violations of applicable laws or rules. When the Department receives complaints, credit unions are contacted and given an opportunity to respond to a member's concern or inquiry. Member complaints have increased over the last five years and the Department expects this trend to continue. In fiscal year 2010, the Department received 151 complaints, rising to 167 in 2011, 174 in 2012, 223 in 2013, 230 in 2014, and 253 in 2015. Through its response to these complaints and inquiries, the Department attempts to help members better understand their rights and responsibilities under applicable laws and regulations. The Department monitors the level of satisfaction with its responses to member complaints and inquiries.
- The Department works closely with federal and other state regulators to provide credit unions seamless supervision, minimal disruption and costs, and effective use of resources. The Department continues its joint examination program entered into with the National Credit Union Administration in 2003. The joint examination results in more efficient and less burdensome examinations for credit unions.
- The Department cooperates with the Financial Crimes Enforcement Network ("FinCEN") and numerous other federal agencies to monitor compliance with the BSA/AML and USA Patriot Act and other laws governing credit unions. The rise in popularity of virtual or digital currencies has the attention of federal and state regulators for many reasons including money-laundering concerns. FinCEN issued guidance which labels certain digital currency entities as money transmitters and requires them to implement AML programs.

### AGENCY OPERATIONAL GOAL AND ACTION PLAN

*Goal 3. To safeguard the interest of credit union members.*

#### SPECIFIC ACTION ITEMS TO ACHIEVE YOUR GOAL

1. All credit union members have reasonable access to credit union services and are treated fairly and lawfully.
2. Credit unions are involved in providing financial services in underserved communities within this State.

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### DESCRIBE HOW YOUR GOAL OR ACTION ITEMS SUPPORTS EACH STATEWIDE OBJECTIVE

1. Accountable to tax and fee payers of Texas.
  - Ensuring no state funds are spent on Department operations; as a self-directed, semi-independent agency, the Department's revenue is derived from state chartered credit unions fees and assessments.
  - Being a prudent steward of its financial resources.
  - Providing transparency through its reporting.
  - Drafting, amending, and implementing rules to fulfill Legislative directives and to ensure relevance to current conditions.
  - Reinforcing the importance of fair and honest treatment of credit union members through appropriate supervisory and enforcement action.
  - Supporting the efforts of credit unions to expand their fields of membership to include underserved and low-income communities.
2. Efficient such that maximum results are produced with a minimum waste of taxpayer funds, including through the elimination of redundant and non-core functions.
  - Supporting the efforts of credit unions to expand their fields of membership to include underserved and low-income communities.
3. Effective in successfully fulfilling core functions, measuring success in achieving performance measures and implementing plans to continuously improve.
  - Strengthening role in addressing member privacy, information security, and identity theft.
  - Supporting the efforts of credit unions to expand their fields of membership to include underserved and low-income communities.
4. Providing excellent customer service.
  - Strengthening role in addressing member privacy, information security, and identity theft.
  - Supporting the efforts of credit unions to expand their fields of membership to include underserved and low-income communities.
5. Transparent such that agency actions can be understood by any Texan.
  - Reinforcing the importance of fair and honest treatment of credit union members through appropriate supervisory and enforcement action.

### DESCRIBE ANY OTHER CONSIDERATIONS RELEVANT TO YOUR GOAL OR ACTION ITEM

- Through its response to the complaints and inquiries, the Department attempts to help members better understand their rights and responsibilities under applicable laws and regulations. The Department monitors the level of satisfaction with its responses to member complaints and inquiries.
- The National Association of State Credit Union Supervisors ("NASCUS") has established accreditation standards for credit union supervision and regulation. Patterned after university accreditation, the accreditation process requires a comprehensive review of all factors needed to have a fully functional regulatory agency. The Department has been continuously accredited by NASCUS since 1996. Every year, the accreditation committee of NASCUS requires updated information to maintain accredited status; a full-scale re-accreditation occurs on-site every five years, which for the Department will occur in 2016. Accreditation provides the Department with national recognition among its peers and professional respect from the institutions it regulates.
- The Department is also a member of the Residential Mortgage Fraud Task Force, which was established by the Attorney General of Texas in an effort to improve the collaboration between state and federal regulators, and local law enforcement agencies in tracking and reducing residential mortgage fraud in Texas. As a result, the Department's examination process includes a review of credit union practices in this area. Any suspected mortgage fraud complaints received through the Department's member assistance area are submitted to the Attorney General for review by the taskforce.

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### AGENCY OPERATIONAL GOAL AND ACTION PLAN

*Goal 4. To develop a professional and motivated staff that provides quality service to the citizens of Texas and supports achievement of the Department's statutory mission.*

#### SPECIFIC ACTION ITEMS TO ACHIEVE YOUR GOAL

1. The Department maintains a competent, highly motivated, and diverse workforce in a fair and inclusive work environment.
2. The Department is an efficient, effective, and ethical organization.
3. The Department's resource decisions and operations reflect sound financial, security, and risk management principles.

#### DESCRIBE HOW YOUR GOAL OR ACTION ITEMS SUPPORTS EACH STATEWIDE OBJECTIVE

1. Accountable to tax and fee payers of Texas.
  - Ensuring no state funds are spent on Department operations; as a self-directed, semi-independent agency, the Department's revenue is derived from state chartered credit unions fees and assessments.
  - Being a prudent steward of its financial resources.
  - Providing transparency through its reporting.
  - Drafting, amending, and implementing rules to fulfill Legislative directives and to ensure relevance to current conditions.
  - Drafting, amending, and implementing rules to fulfill Legislative directives and to ensure relevance to current conditions.
  - Maintaining a comprehensive Equal Employment and Workforce Diversity Plan.
  - Ensuring compliance with laws, rules, and stewardship of its resources through program evaluations and a quality management framework.
  - Ensuring compliance with the rules, policies and procedures for ethical conduct by its employees.
  - Achieving reliable, accurate and timely financial resources management information.
2. Efficient such that maximum results are produced with a minimum waste of taxpayer funds, including through the elimination of redundant and non-core functions.
  - Executing an aggressive recruiting and comprehensive training strategy for new entry-level examiners.
  - Developing proactive initiatives focused on the retention of employees, including addressing pay differentials for examiners to bring base pay more in line with the examiner pay at other regulatory agencies, maintaining staffing to achieve the ideal level of 160 exam days for each examiner, mentoring, employee feedback, incentives, and recognition programs.
  - Creating a leadership development program to support and enhance management succession.
  - Ensuring compliance with laws, rules, and stewardship of its resources through program evaluations and a quality management framework.
  - Ensuring reliable, secure, modern information technology systems are in place in support of an environment that meets the Department's mission, goals, and objectives.
  - Achieving reliable, accurate and timely financial resources management information.
  - Implementing security controls to mitigate risk and to protect confidential information.
  - Improving contingency planning for business continuity, including information technology recovery, compliance with Homeland Security requirements, and crisis management strategies.
3. Effective in successfully fulfilling core functions, measuring success in achieving performance measures and implementing plans to continuously improve.
  - Executing an aggressive recruiting and comprehensive training strategy for new entry-level examiners.
  - Developing proactive initiatives focused on the retention of employees, including addressing pay differentials for examiners to bring base pay more in line with the examiner pay at other regulatory agencies, maintaining staffing to achieve the ideal level of 160 exam days for each examiner, mentoring, employee feedback, incentives, and recognition programs.
  - Creating a leadership development program to support and enhance management succession.



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- Maintaining a comprehensive Equal Employment and Workforce Diversity Plan.
  - Ensuring compliance with laws, rules, and stewardship of its resources through program evaluations and a quality management framework.
  - Ensuring compliance with the rules, policies and procedures for ethical conduct by its employees.
  - Ensuring reliable, secure, modern information technology systems are in place in support of an environment that meets the Department's mission, goals, and objectives.
  - Leveraging technology, with particular focus on information management initiatives, such as records and knowledge management.
  - Implementing security controls to mitigate risk and to protect confidential information.
  - Improving contingency planning for business continuity, including information technology recovery, compliance with Homeland Security requirements, and crisis management strategies.
  - Achieving reliable, accurate and timely financial resources management information.
4. Providing excellent customer service.
- Developing proactive initiatives focused on the retention of employees, including addressing pay differentials for examiners to bring base pay more in line with the examiner pay at other regulatory agencies, maintaining staffing to achieve the ideal level of 160 exam days for each examiner, mentoring, employee feedback, incentives, and recognition programs.
  - Ensuring compliance with laws, rules, and stewardship of its resources through program evaluations and a quality management framework.
  - Ensuring compliance with the rules, policies and procedures for ethical conduct by its employees.
  - Ensuring reliable, secure, modern information technology systems are in place in support of an environment that meets the Department's mission, goals, and objectives.
  - Achieving reliable, accurate and timely financial resources management information.
5. Transparent such that agency actions can be understood by any Texan.
- Developing proactive initiatives focused on the retention of employees, including addressing pay differentials for examiners to bring base pay more in line with the examiner pay at other regulatory agencies, maintaining staffing to achieve the ideal level of 160 exam days for each examiner, mentoring, employee feedback, incentives, and recognition programs.
  - Maintaining a comprehensive Equal Employment and Workforce Diversity Plan.
  - Ensuring compliance with laws, rules, and stewardship of its resources through program evaluations and a quality management framework.
  - Ensuring compliance with the rules, policies and procedures for ethical conduct by its employees.
  - Achieving reliable, accurate and timely financial resources management information.

### **DESCRIBE ANY OTHER CONSIDERATIONS RELEVANT TO YOUR GOAL OR ACTION ITEM**

- The Commission sets the spending limits of the Department. As a SDSI agency, the Department continues to be self-funding and no General Revenue Funds are used to support its operation.
- Financial crimes consist of several broad categories such as fraud, money laundering, and corruption with many subcategories such as terrorist financing, identity theft, kickbacks, and bribery. The United States government has powerful tools to pursue financial criminals and the framework to force credit unions into compliance with a wide range of laws, such as the Bank Secrecy Act/Anti-Money Laundering and USA Patriot Acts. Financial crimes are a threat for credit unions and the Department alike. Having a knowledgeable and trained staff that understands the risks and how they can be managed is essential.
- No single factor is more critical to the Department's ability to accomplish its mission and to its success than its staff. Acquiring, developing, and retaining a competent workforce will continue to be one of the Department's top priorities and is one of its four strategic goals. At the same time, and similar to the rest of state government, significant internal and external factors affect the Department's current and future workforce, challenging the Department's ability to ensure that its staff is well trained, skilled, and capable of meeting the needs of the rapidly changing and growing complex industry.
- The Department operates and maintains its only office in Austin. Agency examiners work from their residences, located primarily in the Dallas/Fort Worth and Houston metropolitan areas. Because credit unions are located throughout the state, examiners are required to travel extensively in examining credit unions with overnight travel of 40-55 percent. Given the amount of travel required, stationing field staff in these two metropolitan areas helps to

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minimize travel-related costs. The Department is solely responsible for the upkeep and maintenance of the Credit Union Department Building. Each year during the budgeting process, the Commission reviews and approves maintenance, major repairs, and long-term improvements.

### REDUNDANCIES AND IMPEDIMENTS

The agency does not have any services, state statutes, and state rules or regulations applicable to the agency that may result in barriers to the economic prosperity of Texans or make the agency less effective and efficient in achieving its core mission and merit additional executive and legislative review nor does the agency have any state services, state laws, and state regulations administered by the agency that are redundant, distract from the core mission of the agency, and/or produce workload costs for agency staff or regulated entities that may exceed the initial time, cost, or effort assumptions that existed when the law or regulation was implemented.

The statutes pertaining to the operation of the Department and the regulation and supervision of Texas state-chartered credit unions are considered comprehensive and current, and correctly delineate the Department's responsibilities and authorities. Furthermore, the Commission has the means by which to propose necessary statutory changes to the Legislature. TEX. FIN. CODE §§15.103 and 15.405, require the Department to periodically study the credit union statutes of the state and report its legislative recommendations to the Legislature for consideration. Notwithstanding these requirements, the Department continually reviews State of Texas statutes pertaining to credit union operations. The Commissioner, with the approval of the Commission, reports the recommendations of the Department as necessary to the Legislature for its consideration (TEX. FIN. CODE §15.405).

In addition to the Department's review, the Cornerstone Credit Union League ("CCUL") and the Credit Union Coalition Legislative Coalition ("CULC") conduct reviews of the statutes to identify current provisions that are outdated or to assess the need for new statutory language to address current happenings in the credit union industry. As a courtesy, the CCUL and the CULC advises the Commission of the results of their review and any changes to the Texas Finance Code which they plan to introduce as legislation. If the Commission has additional recommendations requiring legislation, both the CCUL and CULC will normally include those as a part of their legislative package which will have to be introduced in the Texas House of Representatives and the Senate of Texas.

The Commission proposed S.B. 244 during the 83rd Regular Legislative Session. That legislation was the result of the Department's mandate in TEX. FIN. CODE §§ 15.103 and 15.405 to periodically review the statutes as they pertain to credit unions and make recommendations to the legislature for consideration. In general, S.B. 244 updated Texas Finance Code, Title 2, Chapter 15 and Texas Finance Code, Title 3, Subtitle D (the "Credit Union Act") to clarify credit union supervisory and regulatory matters, remove outdated references, and enhance corporate governance provisions. The legislation enabled credit unions to provide financial services in an efficient manner and ensure sound practices among state-chartered credit unions.

While the legislative recommendations were initially developed by the Department, the final provisions of the bill were negotiated with the credit union industry. The Department worked with interested parties to build consensus on the various provisions. The bill passed and was effective September 1, 2013.

The agency periodically reviews its rules to identify and eliminate redundancies and impediments. TEX. GOV'T CODE §2001.039 requires each state agency to undertake a comprehensive review of its rules. These reviews require the agency, at a minimum, to assess whether the reason for adopting or readopting the rule continues to exist. Moreover, the review must be conducted in accordance with the Administrative Procedure Act in the same manner as for a proposed rule, and it must be conducted no later than 1) four years after the rule becomes final; and 2) four years after a rule is readopted by the agency. Modifications to existing rules or proposals to add new rules may emanate from legislation requiring specific rules, the general public, the Department staff, the Commission, credit union officials, or credit union trade associations. The Rules Committee, which is a standing Committee of the Commission is responsible, in part, for determining the need for new rules and amendments or the repeal of existing rules. The Committee makes formal recommendation to the Commission for action on all rules.

Procedures governing the adoption of rules are established in Subchapter B of the Administrative Procedure Act (TEX. GOV'T CODE Chapter 2001). The agency's rules are contained within Title 7, Part VI of the Texas Administrative Code.

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The Commission has also adopted 7 TEX. ADMIN. CODE §97.104, which sets out a formal procedure for an interested party to request a new rule or an amendment to an existing rule.

State-chartered credit unions are notified of adopted rules through the Department's Newsletter; adopted rules are also posted on the agency's website. Once adopted, final rules are placed on the Department's website and a link to the rule updates is distributed by the Department to each credit union within 60 days following the effective date of the rule(s). The link includes a transmittal letter that provides the credit unions with instructions for updating their rule books. Transmittal letters are numbered sequentially (i.e., Change 1, Change 2, etc.), and are to be filed in the front of the credit union's rule book to indicate that the book's posting is up-to-date. The Department considers its rulemaking process to be open and efficiently implemented from development through finalization.

The Commissioner has broad powers to effectively perform the prescribed duties and responsibilities to ensure effective supervision and regulation of credit unions and their fields of membership. This includes proper enforcement powers for safeguarding the public's interest and promoting public confidence in credit unions. No significant areas have been identified that require improvement or limit the authority of the Commissioner to effectively regulate and supervise state-chartered credit unions. The Texas Finance Code authorizes the chartering, operation, supervision, and examination of state-chartered credit unions. The Texas Finance Code provides the Commissioner with adequate authority to perform prescribed duties and responsibilities. Powers of the Commission and Commissioner are enumerated in Subchapter E, Chapter 15, Title 2. Chapter 15 provides the broad authority to supervise and regulate all state-chartered credit unions doing business in the state. TEX. FIN. CODE §15.402 authorizes the Commission to adopt reasonable rules for administering the Credit Union Act. In adopting any such rules, the Legislature has directed the Commission to consider the need to:

- promote a stable credit union environment;
- provide credit union members with convenient, safe, and competitive services;
- preserve and promote the competitive parity of credit unions with regard to other depository institutions consistent with the safety and soundness of credit unions; and
- promote or encourage economic development in this state.

**PART 2. SUPPLEMENTAL ELEMENTS**

**SCHEDULE A: BUDGET STRUCTURE**

**AGENCY BUDGET STRUCTURE ELEMENTS  
(GOALS, STRATEGIES, MEASURES AND MEASURE DEFINITIONS)  
FOR THE 2018-19 BIENNIUM**

**AGENCY NAME:** Credit Union Department

<b>ELEMENT</b> Identify the current Goal, Strategy, Measure or Measure Definition.	<b>REQUESTED CHANGE</b>	<b>JUSTIFI- CATION FOR REQUESTED CHANGE</b>	<b>LBB OR OOG APPR'D</b>	<b>LBB / OOG COM- MENT</b>	<b>STATUS</b>
Goal 1: A Safe and Sound Credit Union Industry <i>Strategy: Examine Credit Union Operations</i> Outcome Measure: Percentage of Credit Unions Receiving Regular Examination Annually	None	None	NA		NA
Goal 1: A Safe and Sound Credit Union Industry <i>Strategy: Examine Credit Union Operations</i> Outcome Measure: Percentage of Credit Unions With Composite CAMELS Ratings of 1 or 2	None	None	NA		NA
Goal 1: A Safe and Sound Credit Union Industry <i>Strategy: Examine Credit Union Operations</i> Outcome Measure: Percentage of Assets Held in Credit Unions With Composite CAMELS Ratings of 1 or 2	None	None	NA		NA
Goal 1: A Safe and Sound Credit Union Industry <i>Strategy: Examine Credit Union Operations</i> Output Measure: Number of Regular Examinations Performed	None	None	NA		NA
Goal 1: A Safe and Sound Credit Union Industry <i>Strategy: Examine Credit Union Operations</i> Explanatory Measure: Number of State-Chartered Credit Unions	None	None	NA		NA
Goal 1: A Safe and Sound Credit Union Industry <i>Strategy: Examine Credit Union Operations</i> Outcome Measure: Percentage of Complete Applications Approved or Denied Within 60 Days	None	None	NA		NA

**PART 2. SUPPLEMENTAL ELEMENTS**

**SCHEDULE A: BUDGET STRUCTURE**

**AGENCY BUDGET STRUCTURE ELEMENTS  
(GOALS, STRATEGIES, MEASURES AND MEASURE DEFINITIONS)  
FOR THE 2018–19 BIENNIUM**

<p>Goal 2: A Flexible Regulatory Framework  <i>Strategy: Process, Investigate and Evaluate Applications</i>                  Output Measure: Number of Applications Processed</p>	None	None	NA		NA
<p>Goal 2: A Flexible Regulatory Framework  <i>Strategy: Provide Oversight of Department Operations</i>                  Outcome Measure: Percentage of Rule Changes provided to Credit Unions Within 60 Days After Adoption</p>	None	None	NA		NA
<p>Goal 3: Protect Credit Union Member Interests  <i>Strategy: Examine Credit Union Operations</i>                  Explanatory Measure: Percentage of Credit Unions Providing Services to Low Income or Underserved Populations</p>	None	None	NA		NA

**PART 2. SUPPLEMENTAL ELEMENTS**

**SCHEDULE B. PERFORMANCE MEASURES**

**Agency:** Credit Union Department, State of Texas  
**Goal:** Effective supervision and regulation of credit unions in Texas  
**Objective:** Perform Cost-Effective Comprehensive Examinations  
Deliver a flexible regulatory framework that provides competent and comprehensive supervision  
**Strategy:** Ensure a safe and sound credit union industry

**Outcome Measure: Percentage of Credit Unions Receiving Regular Examination Annually**

**Definition**

The number of credit unions examined within an examination cycle of no more than 18 months during the fiscal year, expressed as a ratio of the total number of state-chartered credit unions for same period.

**Purpose/Importance**

This measure monitors the Department's performance in meeting the Commission's mandate and 7 TEX. ADMIN. CODE §97.105.

**Source/Collection of Data**

Supporting information regarding each examination is tracked in the Department's internal database.

**Method of Calculation**

Divide the number of credit unions examined during the reporting period by the total number of credit unions for the same period.

**Data Limitations**

None

**Calculation Type**

Noncumulative

**New Measure**

No

**Target Attainment:**

87.5% annual

**Outcome Measure: Percentage of Credit Unions with Composite CAMELS Ratings of 1 or 2**

**Definition**

The number of credit unions with composite CAMELS rating of 1 or 2 during the applicable period based upon a rating system, expressed as a percentage of the total number of credit unions regulated for the same period.

**Purpose/Importance**

Measures the financial health of the Texas state-chartered credit unions. Ties directly to a statewide regulatory benchmark.

**Source/Collection of Data**

Supporting information regarding each examination is tracked in the Department's internal database.

**Method of Calculation**

Divide the number of credit unions assigned a composite CAMELS rating of 1 or 2 by the total number of credit unions for the same reporting period.

## PART 2. SUPPLEMENTAL ELEMENTS

### SCHEDULE B. PERFORMANCE MEASURES

**Data Limitations**

Limited control over events that could lead a credit union to receiving a lower CAMELS rating.

**Calculation Type**

Noncumulative

**New Measure**

No

**Target Attainment:**

Informational

**Outcome Measure: Percentage of Assets Held in Credit Unions with Composite CAMELS Ratings of 1 or 2****Definition**

The consolidated total assets of credit unions with composite CAMELS rating of 1 or 2 as reported in the designated quarterly call report based upon a rating system, expressed as a percentage of the consolidated total assets of all credit unions regulated for the same period.

**Purpose/Importance**

This informational measure indicates the financial health of the Texas chartered credit union industry. Ties directly to a statewide regulatory benchmark.

**Source/Collection of Data**

Quarterly financial and statistical Call Report data filed with the Department by each credit union.

**Method of Calculation**

Divide the consolidated total assets of credit unions assigned a composite CAMELS rating of 1 or 2 by the consolidated total assets of all credit unions for the same reporting period.

**Data Limitations**

Limited control over events that could lead a credit union to receiving a lower CAMELS rating.

**Calculation Type**

Noncumulative

**New Measure**

No

**Target Attainment:**

Informational

**Output Measure: Number of Regular Examinations Performed****Definition**

The number of regular examinations the Department performs during the reporting period.

**Purpose/Importance**

The measure indicates whether the Department is meeting the frequency of examination requirements of 7 TEX. ADMIN. CODE §97.105.

**Source/Collection of Data**

Supporting information regarding each examination is tracked in the Department's internal database.

**Method of Calculation**

Count the regular, full-scope or limited-scope examinations, in which the report of examination was received for processing during the period being measured.

**PART 2. SUPPLEMENTAL ELEMENTS**

**SCHEDULE B. PERFORMANCE MEASURES**

**Data Limitations**

High turnover of trained examiners has a negative impact.

**Calculation Type**

Cumulative

**New Measure**

No

**Target Attainment:**

Informational

**Explanatory Measure: Number of State-Chartered Credit Unions**

**Definition**

The number of active Texas state-chartered credit unions under the Department's jurisdiction during the reporting period, less the number of credit unions in the process of being liquidated.

**Purpose/Importance**

This explanatory measure is an indicator of the extent of the Department's responsibility over the safe and sound regulation of state-chartered credit unions.

**Source/Collection of Data**

The Department maintains a database which tracks all active, liquidating, and cancelled state credit union charters.

**Method of Calculation**

Count the total number of active state-chartered credit unions under the supervision of the Department from the database, less any being liquidated.

**Data Limitations**

No control over number of new charter requests, mergers, or conversions.

**Calculation Type**

Noncumulative

**New Measure**

No

**Target Attainment:**

Informational

**Output Measure: Percentage of Complete Applications Approved/Denied within 60 days**

**Definition**

The number of complete applications approved or denied not later than the 60<sup>th</sup> day after the date notice of the applications are published, or after the date the applications are received if notice is not required to be published, expressed as a percentage of all applications approved or denied for the same period. Applications include applications for mergers, for charter conversions (federal to state, state to federal, state credit union to mutual savings associations, and mutual savings associations to state credit unions), for insurance conversions, and for amendments to bylaws and articles of incorporation. If an application is protested, it is not considered complete until responses from all parties have been received.

**Purpose/Importance**

Finance Code §122.005 requires the Commissioner to approve or disapprove applications not later than the 60<sup>th</sup> day after the date notice of the application is published, or after the date the application is received if the notice is not required to be published.

**Source/Collection of Data**

Supporting information regarding each application is tracked in the Department's internal database.



**PART 2. SUPPLEMENTAL ELEMENTS**

**SCHEDULE B. PERFORMANCE MEASURES**

**Method of Calculation**

Divide the number of complete applications approved or denied not later than the 60<sup>th</sup> day after the date notice of the application is published, or after the date the application is received if the notice is not required to be published, whichever is later, by the total number of applications approved or denied during the same reporting period.

**Data Limitations**

Protests

**Calculation Type**

Noncumulative

**New Measure**

No

**Target Attainment:**

100%

**Output Measure: Number of Applications Processed**

**Definition**

The number of complete applications approved or denied during the reporting period. Applications include applications for mergers, for charter conversions (federal to state, state to federal, state credit union to mutual savings associations, and mutual savings associations to state credit unions), for insurance conversions, and for amendments to bylaws and articles of incorporation.

**Purpose/Importance**

This measure is used as the denominator to calculate the outcome measure percentage of complete applications approved or denied within 60 days.

**Source/Collection of Data**

Supporting information regarding each application is tracked in the Department's internal database.

**Method of Calculation**

Total the number of applications processed for the reporting period.

**Data Limitations**

No control over the number of applications received

**Calculation Type**

Cumulative

**New Measure**

No

**Target Attainment:**

Informational

**Outcome Measure: Percentage of Rule Changes Provided to Credit Unions Within 60 Days After Adoption**

**Definition**

The number of new, amended, and readopted rules that are mailed out within 60 days of their final adoption by the Commission.

**Purpose/Importance**

The measure indicates how quickly credit unions are informed of changes affecting their operations or Department operations.

**PART 2. SUPPLEMENTAL ELEMENTS**

**SCHEDULE B. PERFORMANCE MEASURES**

**Source/Collection of Data**

The date a new, amended, or readopted rule is adopted, as well as the date the letter of transmittal for the Texas Laws and Regulations for Credit Unions are sent out to credit unions, is entered into a database and tracked accordingly.

**Method of Calculation**

Divide the number of rule changes provided to credit unions within 60 days of the effective date of their adoption by the number of rule changes adopted during the same reporting period.

**Data Limitations**

None

**Calculation Type**

Noncumulative

**New Measure**

No

**Target Attainment:**

100%

**Explanatory Measure: Percentage of Credit Unions Providing Services to Low Income or Underserved Populations**

**Definition**

Number of credit unions with federal low income designations as a percentage of the number of state chartered credit unions for the same reporting period.

**Purpose/Importance**

This measure indicates the number of credit unions that primarily serve Texas citizens that are close to the national poverty level, as well as citizens that live in areas with limited access to financial institutions.

**Source/Collection of Data**

Low-income approval letters from the National Credit Union Administration are retained in a file. The Department also maintains an excel spreadsheet of the credit unions that have received a federal low-income designation.

**Method of Calculation**

Divide the number of state-chartered credit unions that are approved by the National Credit Union Administration for a low-income designation pursuant to Part 705.3(a) of the National Credit Union Administration's Rules and Regulation by the total number of state-chartered credit unions for the same reporting period.

**Data Limitations**

No control over how many credit unions will apply for designation.

**Calculation Type**

Noncumulative

**New Measure**

No

**Target Attainment:**

Informational

**PART 2. SUPPLEMENTAL ELEMENTS**

**SCHEDULE C. HISTORICALLY UNDERUTILIZED BUSINESS PLAN**

**HUB 7.07 REPORT CREDIT UNION DEPARTMENT 469  
.INTERNAL ASSESSMENT ON UTILIZATION OF HUBS  
POLICY COMPLIANCE REPORT**

Demonstrating Compliance with HUB Purchasing Requirements

The Department consistently contacts Historically Underutilized Businesses (“HUBs”) for bids on spot purchases and small dollar amount procurements. Due to budget constraints, products and services are obtained from the lowest bidder. In addition to its HUB policy, the Department has a HUB Diversity Plan to ensure that our HUB purchases represent as many different minority and women-owned businesses as possible.

Although the Department has limited opportunities to award contracts, it makes every effort to foster meaningful and substantive inclusion of HUBS in the Department’s procurement processes. In addition, the Department makes every effort to ensure that it makes its purchases from a diverse group within the HUBs.

The Department has adopted a policy to achieve the proportional HUB expenditure targets established by the Texas Comptroller of Public Accounts and monitors its progress toward achieving these goals. The Department reviews this policy annually and the Department has a designated HUB coordinator, its Staff Services Officer. The Department’s HUB coordinator has attended training on HUB requirements.

The Department’s Agency Strategic Plan for 2015-2019 states the Department’s policy to achieve the proportional HUB expenditure targets established by the Texas Comptroller of Public. **During fiscal year 2014 and fiscal year 2015, the Department has exceeded its HUB targets in the various categories.**

The total amount of expenditures with HUBs for fiscal year 2015 was \$71,029 and the total amount of non-HUB expenditures was \$81,445. In fiscal year 2014, the total amount of expenditures for HUBs was \$44,603 and the total amount of non-HUB expenditures was \$446,696.

Attached is a copy of the Department’s HUB Consolidated Agency Report for fiscal year 2014 and fiscal year 2015. **Both reports show that the Department exceeded its HUB goals.**

The Department only purchases from two procurement categories: other services and commodity purchasing. During fiscal year 2014, the Department’s HUB purchases for other services were 38.35%, over the state goal of 24.60% and the Department’s HUB commodity purchases were 72.17%, over the state goal of 21%. During fiscal year 2015, the Department’s HUB purchases for other services were 36.68%, over the state goal of 26% and the Department’s HUB commodity purchases were 72.43%, over the state goal of 21.10%.

**PART 2. SUPPLEMENTAL ELEMENTS**

**SCHEDULE C. HISTORICALLY UNDERUTILIZED BUSINESS PLAN**

**HUB PARTICIPATION**

	<b>FY14</b>	<b>FY15</b>
<b>Total Agency Expenditure</b>	<b>\$91,299</b>	<b>\$152,475</b>
<b>Total Dollar Amount Spend with HUBs</b>	<b>\$44,603</b>	<b>\$71,029</b>
<b>Percent of Total Expenditure Spent with HUBs</b>	<b>48.85%</b>	<b>46.58%</b>
<b>Women</b>	<b>\$41,843</b>	<b>\$64,269</b>
<b>Black</b>	<b>\$993</b>	<b>\$1,184</b>
<b>Hispanic</b>	<b>\$217</b>	<b>0</b>
<b>Asian-Pacific</b>	<b>\$1,549</b>	<b>\$5,575</b>
<b>Native-American</b>	<b>0</b>	<b>0</b>

Plans to Maintain Compliance

The Department is strongly committed to using HUBs for purchases in future years to maintain its excellent compliance record. The Department will continue to include HUB policies, goals, and programs in its strategic plan. The Department will continue to contact HUBS for bids on spot purchases and small dollar amount procurements. The Department will continue to make a good faith effort to utilize HUBs in contracts for construction, services (including professional and consulting services) and commodities purchases in accordance with 34 TAC §20.13. The Department will continue to meet state reporting requirements and optional reporting requirements for self-directed and semi-independent agencies, such as this reporting requirement. The Department annually updates its HUB policy and will continue to maintain its HUB Diversity Plan to ensure that our HUB purchases represent as many different minority and women-owned businesses as possible.

Although the Department has limited opportunities to award contracts, the Department will continue to make every effort to foster meaningful and substantive inclusion of HUBS in the Department's procurement processes.

**PART 2. SUPPLEMENTAL ELEMENTS**

**SCHEDULES D. STATEWIDE CAPITAL PLANNING AND E. HHS STRATEGIC PLANNING**

**SCHEDULE D: STATEWIDE CAPITAL PLANNING**

**NOT APPLICABLE**

**SCHEDULE E: HEALTH AND HUMAN SERVICES STRATEGIC PLANNING**

**NOT APPLICABLE**

**PART 2. SUPPLEMENTAL ELEMENTS**

**SCHEDULES F. AGENCY WORKFORCE PLAN AND THE TEXAS WORKFORCE SYSTEM  
STRATEGIC PLAN**



**Credit Union Department  
Fiscal Year 2017-2018 Workforce Plan**

**I. Agency Overview**

The Department was established as a separate agency in 1969 to supervise and regulate state chartered unions. This is accomplished through annual examinations of each credit union to ensure enforcement of laws, rules, bylaws, and sound business practices, imposing appropriate administrative sanctions, diligent monitoring between examinations, and aggressive remedial efforts when needed.

The administrative office of the agency is domiciled in Austin, but field examiners are based in Dallas/Fort Worth and Houston. The largest percentage of employees are directly associated with the examination process including field examiners, a Director of Examination Support Activities, an administrative technician and the Deputy Commissioner. The remaining positions include the Commissioner, Assistant Commissioner/General Counsel, Network Specialist and supporting staff in Austin (See Appendix B: CUD Organizational Chart).

The Department currently is authorized for 28.5 FTEs and will consider expanding the workforce as the complexity and assets of regulated credit unions increases. Operating fees paid by the credit unions cover all agency expenses, including payments to other state agencies, such as the Office of Attorney General, for services performed.

***A. Agency Mission***

*The mission of the Credit Union Department is to safeguard the public interest, protect the interests of credit union members and promote public confidence in credit unions industry in accordance with TEX. FIN. CODE §15.102.*

**PART 2. SUPPLEMENTAL ELEMENTS**

**SCHEDULES F. AGENCY WORKFORCE PLAN AND THE TEXAS WORKFORCE SYSTEM STRATEGIC PLAN**

***B. Strategic Goals and Objectives***

The Texas Credit Union Department has three main goals

<b>Goal A</b>	<b>EFFECTIVE SUPERVISION AND REGULATION</b>
Objective	To effectively supervise and regulate state-chartered credit unions through enforcement of safety and soundness standards and compliance with the Texas Finance Code, and in a manner that balances the interest of the membership and the need for public confidence in the credit union system.
Strategies	<ul style="list-style-type: none"> <li>• Examine all credit unions within 18 months of previous examination</li> <li>• Take appropriate enforcement action in problem credit unions</li> <li>• Perform remedial examinations when necessary</li> <li>• Respond promptly to member complaints</li> <li>• Respond promptly to requests for interpretations or opinions</li> <li>• Process applications in a timely manner</li> </ul>

<b>Goal B</b>	<b>INSURE SAFETY AND SOUNDNESS</b>
Objective	Through interaction with the Credit Union Commission and the Legislature, recommend statutory and rule changes to ensure that credit unions operate in a safe and sound manner in a competitive and ever-changing financial services industry.
Strategies	<ul style="list-style-type: none"> <li>• Promulgate new and amended rules</li> <li>• Recommend statutory changes to the Legislature</li> <li>• Provide oversight of departmental operations</li> </ul>

<b>Goal C</b>	<b>PROCUREMENT USING HISTORICALLY UNDERUTILIZED BUSINESSES</b>
Objective	To establish and carry out policies governing purchasing and public works contracting which foster meaningful and substantive inclusion of historically underutilized businesses.
Strategies	<ul style="list-style-type: none"> <li>• Contact HUB contractors for bid proposals</li> <li>• Purchase from state contracted HUB providers</li> </ul>

***C. Anticipated Changes in Strategies***

The agency does not anticipate major changes to its business or workforce strategies. Offsetting the decline in the number of state-chartered credit unions is the increase in total assets of credit unions. The current growth in assets of state chartered credit unions has come primarily from expansion of field of membership and services offered by existing credit unions, and federal credit unions converting to a state charter.

Using a risk-focused examination process, examiners give additional attention to areas of operation that have been identified in a risk assessment. Because of the disparity in the size and complexity of credit unions, examiners remain generalists in terms of their expertise. However, examiners exhibiting an interest in or

## **PART 2. SUPPLEMENTAL ELEMENTS**

### **SCHEDULES F. AGENCY WORKFORCE PLAN AND THE TEXAS WORKFORCE SYSTEM STRATEGIC PLAN**

special abilities in a particular discipline (lending, investments, internal controls, etc.) will be provided with more specific training in that discipline. Due to the increased use of information technology in credit union operations and the critical need for adequate back up and security for these systems, the Department anticipates increasing the scope of the information technology examination of credit unions each year. This may be accomplished by requiring credit unions to perform a third-party information technology audits that the examiners will review and/or hiring qualified third-parties to perform specific functions.

## **II. Current Workforce Profile**

### ***A. Critical Workforce Skills***

The agency has a core group of qualified employees at the present time. The examiners, which represent the majority of employees, must have major course work in accounting, finance, economics, business administration or a job related field with a minimum of six hours, nine preferred, in accounting (including basic and intermediate accounting). Other skills that are important to the agency's ability to perform our business function include:

- Financial statement analysis
- Investment analysis
- Oral and written communication
- Investigative
- Loan analysis
- Internal control analysis
- Information technology analysis

The support staff must also possess skills that are critical to the operation of the agency. These skills include:

- Database development and maintenance
- Customer service
- Document processing
- Accounting/Payroll

### ***B. Workforce Demographics***

The following charts profile the agency's workforce as of December 31, 2015. The agency is authorized 28.5 FTEs. The CUD workforce is comprised of 53.6 percent males and 46.4 percent females. 57 percent of the employees are over the age of 40; the average age of a Department employee is 42 years. The average age of the examination staff is 34 years. The average tenure of an agency employee is 10.8 years; the average tenure of the examiners is 7.4 years. 10 examiners have been with the Department less than two years.

The ethnic breakdown of the workforce is 57 percent Anglo, 25 percent African-American, 11 percent Hispanic and 7 percent Other. The 2010 Census showed a Texas population that was 45.3 percent Anglo, 11.8 percent African-American, 37.6 percent Hispanic, and 4.6 percent Other. Most census projections predict a rising Hispanic population in the state of Texas over the next 40 years.

### ***C. Employee Turnover***

Employee turnover is experienced by every business entity or governmental agency. It is costly to continually train new employees, diminishes efficiency of the staff, and adversely affects employee morale. The Credit Union Department experienced very high examiner turnover rates during the late 1990s, attributable to non-

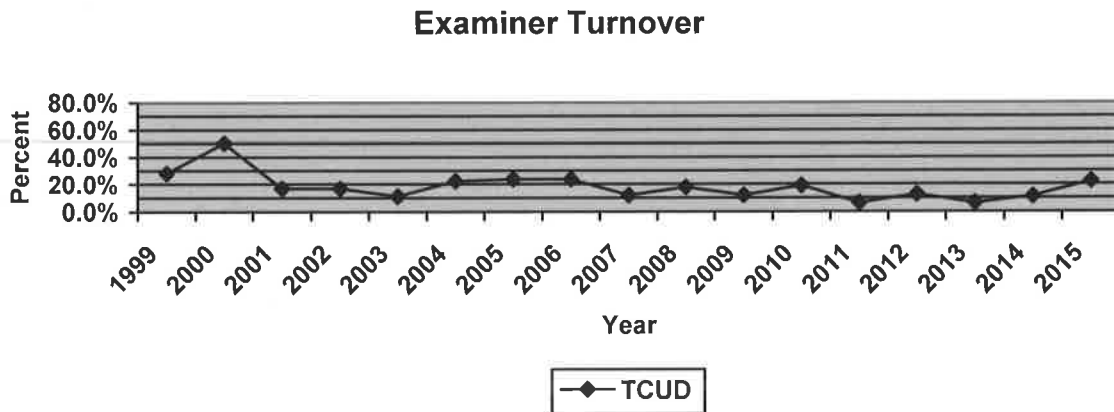


## PART 2. SUPPLEMENTAL ELEMENTS

### SCHEDULES F. AGENCY WORKFORCE PLAN AND THE TEXAS WORKFORCE SYSTEM STRATEGIC PLAN

competitive salaries, travel requirements, and the nature of the work as a regulatory agency. Management and support staff positions remained constant during the same period. Examiners with experience in excess of 2-3 years become attractive to credit unions due to their wide diversity of experiences, exposure to many different situations, and familiarity with credit union laws and regulations. Experienced examiners were also attracted to the National Credit Union Administration (NCUA), the federal regulator, by higher salaries, less travel, and, in some cases, a recruitment bonus.

During the period from FY 2008 to FY 2015, five examiners (average tenure of 83 months) were hired by credit unions and one examiner (tenure of 44 months) was hired by NCUA. Another 12 examiners left employment with an average tenure of 30 months.



#### ***D. Retirement Eligibility***

The agency was created in 1969, but through the years, very few employees have remained with the agency until retirement. Based on available information, only eleven employees have retired from the agency. Three retired in the early 1970s soon after the agency became independent from the Banking Department; four employees have retired from 1996-2002, one medically. At the end of FY 2003, two employees retired, prompted by the retirement incentive package authorized by the 78<sup>th</sup> Legislature. At the beginning of FY 2013, two employees retired. During FY 2016, one more employee retired. At the current time, five employees are eligible for retirement, with three more employees becoming eligible within the next five years.

#### ***E. Other Considerations***

While there is now an improved beginning salary for examiners, retention of experienced examiners will still be a problem as financial institutions and federal agencies still pay a higher salary and require less travel. Agency-wide, the turnover rate is expected to stay between 12 percent - 16 percent annually for at least the next few years. The Department is looking at other benefits and work condition enhancements to help with examiner retention.

## **PART 2. SUPPLEMENTAL ELEMENTS**

### **SCHEDULES F. AGENCY WORKFORCE PLAN AND THE TEXAS WORKFORCE SYSTEM STRATEGIC PLAN**

#### **III. Future Workforce Profile**

##### ***A. Critical Functions***

- Risk based examination program
- Electronic delivery of examinations
- Offsite monitoring
- E-commerce security

##### ***B. Expected Workforce Changes***

- Increased use of technology to revise and streamline work processes

##### ***C. Anticipated Increase/Decrease in Number of Employees Needed to Do the Work***

- The FTE count is anticipated to increase by up to two over the next two years to ensure continuity of service and address the increasing complexity of credit union examinations.

##### ***D. Future Skills Needed***

To effectively perform and process examinations, the agency relies upon a competent and knowledgeable staff. The skills mentioned previously under *Critical Workforce Skills* should be constant for the future; no immediate new skill requirements are anticipated at this time. As employees gain more tenure and experience, their skills should become more refined; employees whose skills do not significantly improve or expand may not be retained.

#### **IV. Gap Analysis**

##### ***A. Anticipated Surplus or Shortage of Workers or Skills***

After analyzing the workforce information, the Credit Union Department believes that there is only one main gap between the agency's workforce supply and demand that needs to be addressed.

###### ***1. Attracting and retaining the right employees for the job***

- Competing for business majors with at least 6 hours of accounting
- Younger employees are not staying with agency
- Assuring experienced, well-performing employees of regular salary increases and competitive salaries

**PART 2. SUPPLEMENTAL ELEMENTS**

**SCHEDULES F. AGENCY WORKFORCE PLAN AND THE TEXAS WORKFORCE SYSTEM  
STRATEGIC PLAN**

**V. Strategy Development**

Gap	Attracting and Retaining the Right Employees
Goal	Become an employer of choice and offer career opportunities
Rationale	There is a competitive job market for qualified individuals with the skills required to perform the duties of an examiner. The agency will continue to reward exceptional performance within statutory limitations, provide staff development through training opportunities, and provide career opportunities, and support innovation and excellence.
Action Steps	<ul style="list-style-type: none"><li>• Continue regular pay increases for performance</li><li>• Allow employees who are seeking new challenges to work on special projects, or assign development projects</li></ul>

With the exception of increasing the scope of the information technology examination, the Credit Union Department is not anticipating changes in the examination process during the next 2-3 years. While the agency has only 28.5 FTEs, retirements are not expected to adversely affect the organization. Other employee turnover is expected to stabilize with the salary increases and other incentives aimed at retention. Major organizational changes are also not anticipated.



# CREDIT UNION DEPARTMENT

Harold E. Feeney  
Commissioner

Robert W. Etheridge  
Deputy Commissioner

## 2016 CREDIT UNION DEPARTMENT REPORT ON CUSTOMER SERVICE

In March, the Department announced its twenty-first annual customer satisfaction questionnaire. This is the sixth time state-chartered credit unions were asked to provide their opinions electronically.

Pursuant to TEX. GOV'T CODE ch. 2114, the Department creates an inventory of external customers for each of its budget strategies.

### INVENTORY OF CUSTOMERS BY STRATEGY

Strategy	Customer
Safe and Sound Credit Union Industry	State Chartered Credit Unions and Members of State Chartered Credit Unions

### INFORMATION GATHERING METHODS, RESULTS AND ANALYSIS

The Department assesses its customer service through communication with its constituents. The Department utilized an electronic survey to reach out to each of its customers.

Each Texas-chartered credit union received a link to the online annual questionnaire. Completion of the electronic survey was voluntary and anonymous. Out of the **184** credit unions provided the opportunity to complete the survey, **109** completed the online questionnaire for a response rate of **59 percent**. This compares to a **48 percent** response rate in **2015** and a **59 percent** response rate in **2014**.

In the following pages, the results of the survey are detailed. Charts are provided to show how credit unions as a whole responded to each question. Tables are also provided to break out those responses by credit union asset size.

Within 15 days after the Department responds to a complaint from a credit union member, the Department emails a link to a survey for each member to respond

## SCHEDULE G.

to questions enumerated in the survey. Completion of the electronic survey was voluntary and anonymous. Out of the 228 credit union members provided the opportunity to complete the survey, 34 completed the online questionnaire for a response rate of 15 percent. Tables are provided indicating the questions asked and the responses received.

The data from all of the surveys reveals that a majority of customers are satisfied with the services the Department provides. The Department is proud of its reputation as a provider of quality regulation and service to its constituents.

### **COMPACT WITH TEXANS**

The Department's Compact with Texans is posted on the agency website ([www.cud.texas.gov](http://www.cud.texas.gov)). The appointed customer service representative is Commissioner Harold E. Feeney.

SCHEDULE G.

**CREDIT UNION DEPARTMENT  
CREDIT UNION SATISFACTION SURVEY  
CURRENT VS. PREVIOUS RESULTS**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Number of Survey Questionnaires Mailed</b>	<b>184</b>	<b>186</b>	<b>188</b>
<b>Number of Responses Completed</b>	<b>109</b>	<b>89</b>	<b>111</b>
<b>Percentage of Credit Unions Completing Survey</b>	<b>59%</b>	<b>48%</b>	<b>59%</b>
<b>Number of Credit Unions Providing Written Comments</b>	<b>58</b>	<b>34</b>	<b>51</b>
<b>Percentage of CUs that Believe the Department Provides Quality Service</b>	<b>97%</b>	<b>97%</b>	<b>92%</b>

SCHEDULE G.

## **INTERACTION WITH DEPARTMENT**

SCHEDULE G.  
**INTERACTION WITH DEPARTMENT**

Strategic Goal: Protect Credit Union Member Interests  
Strategic Objective: All credit union members have reasonable access to credit union services and are treated fairly and lawfully.  
Measure: Outcome

**Department Staff is Generally Accessible**

**Customer Responses**

<b>Strongly Agree</b>	<b>88</b>
<b>Somewhat Agree</b>	<b>15</b>
<b>Neither Agree or Disagree</b>	<b>3</b>
<b>Somewhat Disagree</b>	<b>1</b>
<b>Strongly Disagree</b>	<b>2</b>

Strategic Goal: Protect Credit Union Member Interests  
Strategic Objective: All credit union members have reasonable access to credit union services and are treated fairly and lawfully.  
Measure: Outcome

**Overall, Department Staff is Responsive to My Needs**

**Customer Responses**

<b>Strongly Agree</b>	<b>82</b>
<b>Somewhat Agree</b>	<b>20</b>
<b>Neither Agree or Disagree</b>	<b>4</b>
<b>Somewhat Disagree</b>	<b>1</b>
<b>Strongly Disagree</b>	<b>2</b>

Strategic Goal: Protect Credit Union Member Interests  
Strategic Objective: All credit union members have reasonable access to credit union services and are treated fairly and lawfully.  
Measure: Outcome

**Department Staff Provides Timely and Accurate Feedback/Answers**

**Customer Responses**

<b>Strongly Agree</b>	<b>82</b>
<b>Somewhat Agree</b>	<b>19</b>
<b>Neither Agree or Disagree</b>	<b>4</b>
<b>Somewhat Disagree</b>	<b>1</b>
<b>Strongly Disagree</b>	<b>3</b>

Strategic Goal: Protect Credit Union Member Interests  
Strategic Objective: All credit union members have reasonable access to credit union services and are treated fairly and lawfully.  
Measure: Outcome

**Overall, My Credit Union's Communication with the Department is Satisfactory**

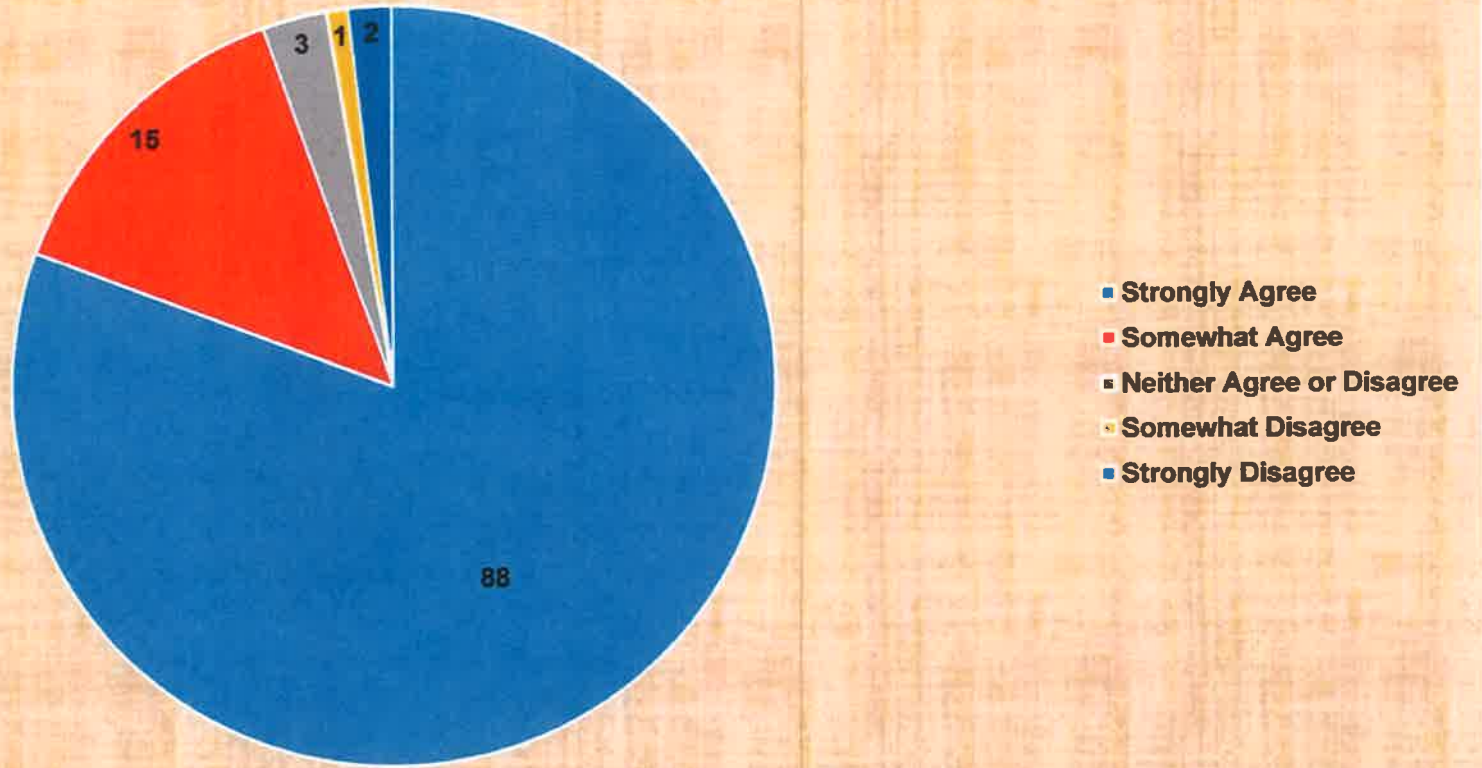
**Customer Responses**

<b>Strongly Agree</b>	<b>87</b>
<b>Somewhat Agree</b>	<b>14</b>
<b>Neither Agree or Disagree</b>	<b>4</b>
<b>Somewhat Disagree</b>	<b>0</b>
<b>Strongly Disagree</b>	<b>4</b>



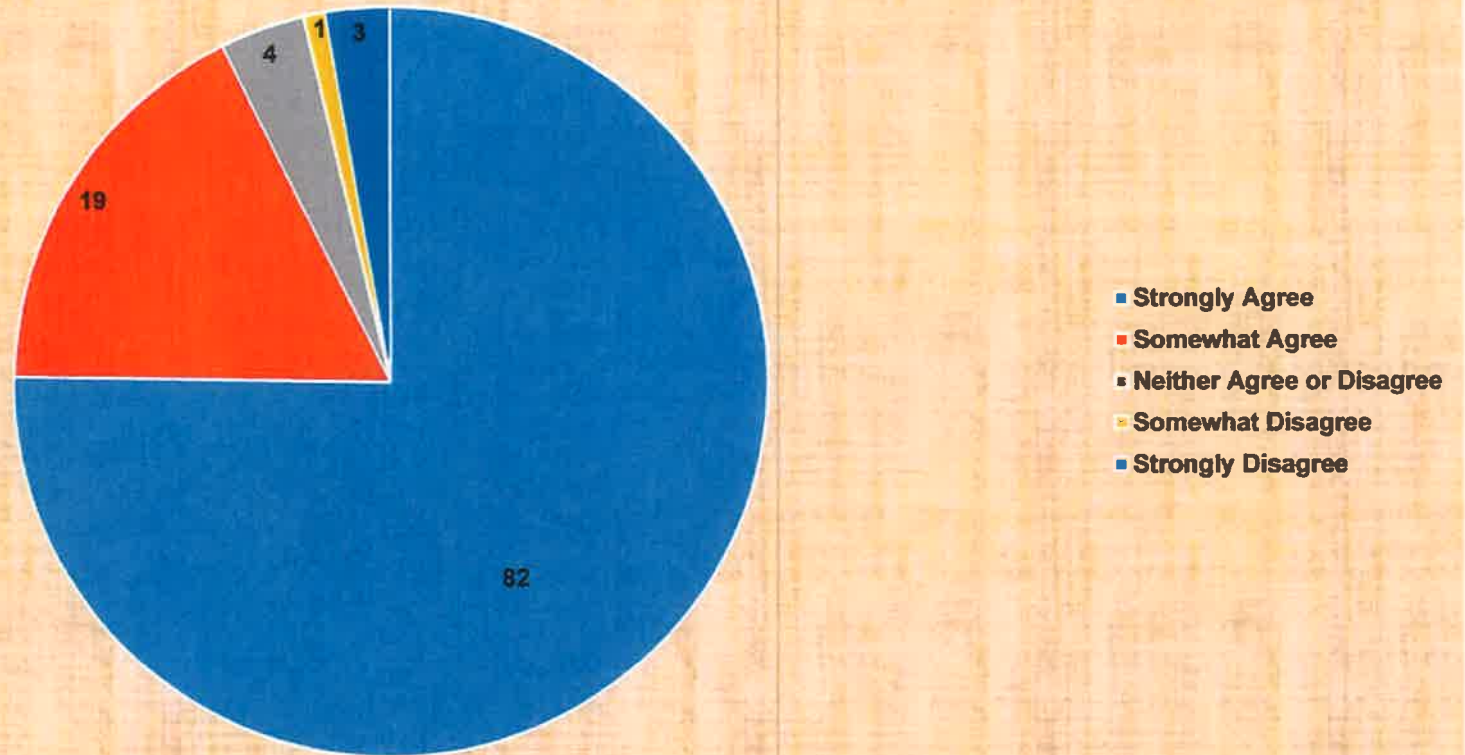
SCHEDULE G.

**Department Staff is Generally Accessible**



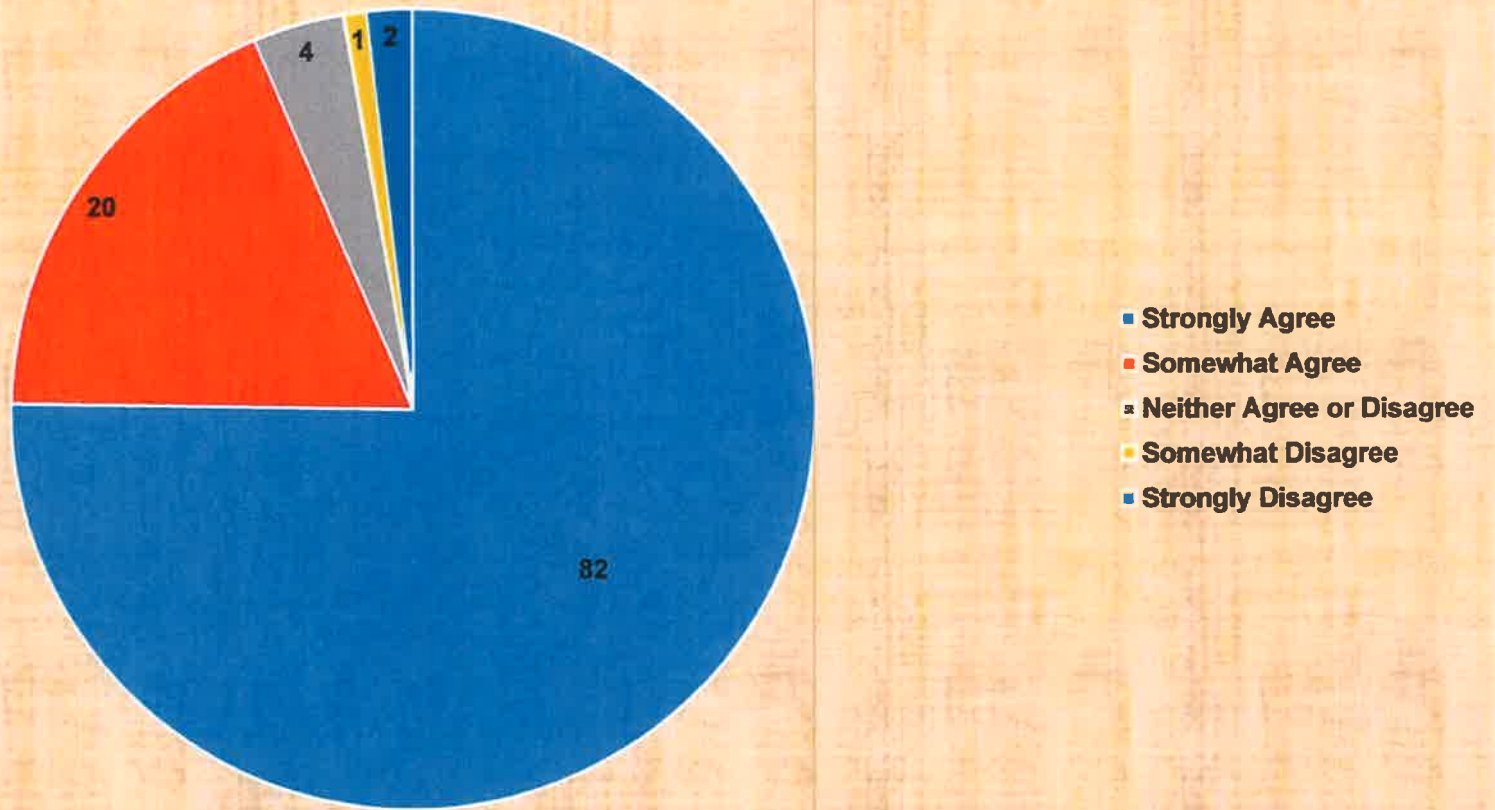
SCHEDULE G.

**Department Staff Provides Timely and Accurate Feedback/Answers**



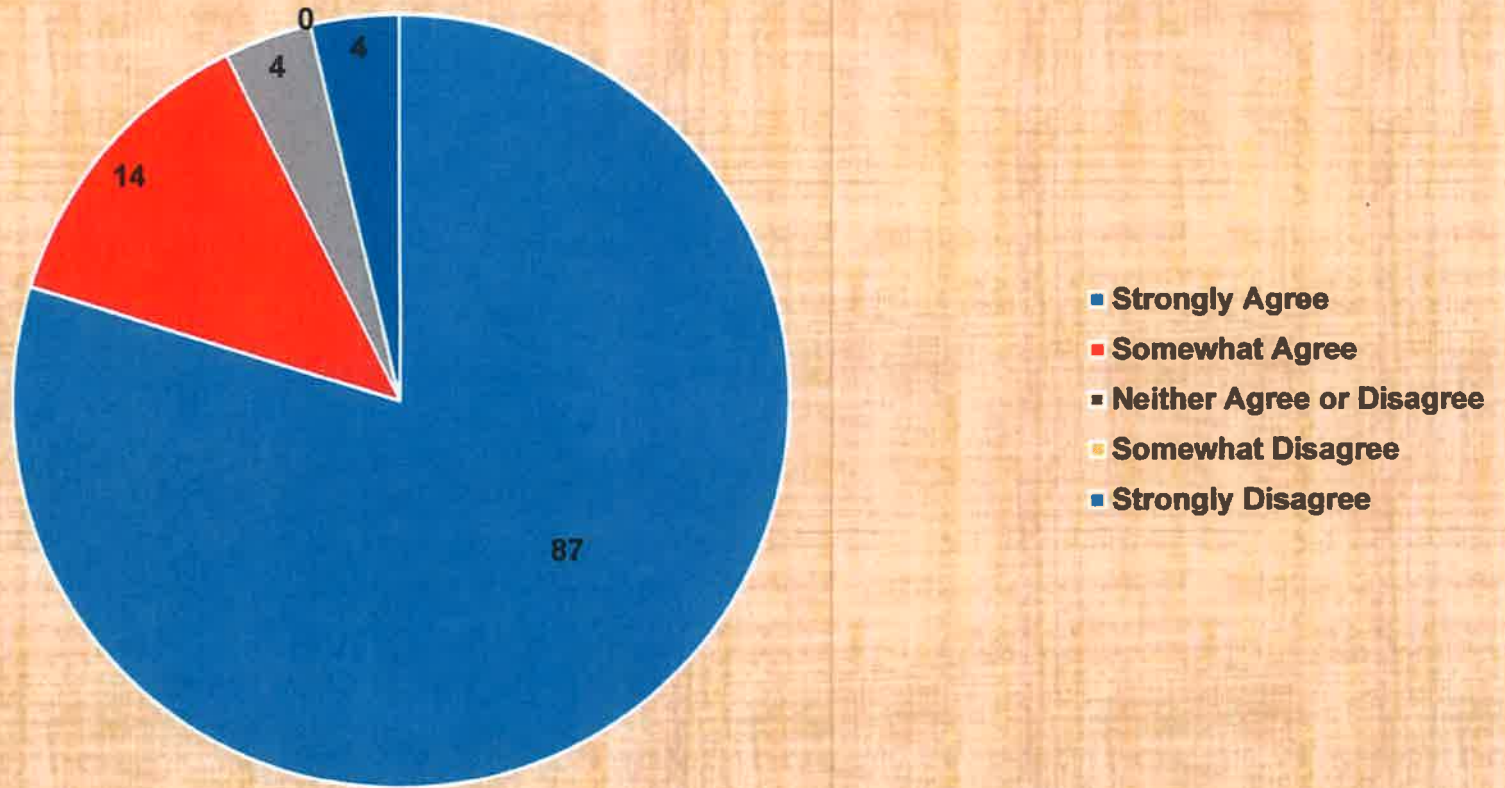
SCHEDULE G.

**Overall, Department Staff is Responsive to my Needs**





### Overall, My Credit Union's Communication with the Department is Satisfactory



**COMMUNICATION WITH DEPARTMENT**

SCHEDULE G.

**COMMUNICATION WITH DEPARTMENT**

Strategic Goal: A Flexible Regulatory Framework  
 Strategic Objective: Each commission rule is current, clearly written, and necessary for an effective supervisory process.  
 Measure: Explanatory

**Have you Corresponded with the Department About a Member Complaint within the Last 12 Months?**

**Customer Responses**

<b>Yes</b>	<b>42</b>
<b>No</b>	<b>66</b>
<b>Skipped Question</b>	<b>1</b>

Strategic Goal: A Flexible Regulatory Framework  
 Strategic Objective: Each commission rule is current, clearly written, and necessary for an effective supervisory process.  
 Measure: Outcome

**Complaint(s) are Handled in a Professional Manner by the Department**

**Customer Responses**

<b>Strongly Agree</b>	<b>38</b>
<b>Somewhat Agree</b>	<b>1</b>
<b>Neither Agree or Disagree</b>	<b>3</b>
<b>Somewhat Disagree</b>	<b>0</b>
<b>Strongly Disagree</b>	<b>1</b>
<b>Skipped Question</b>	<b>66</b>

Strategic Goal: A Flexible Regulatory Framework  
 Strategic Objective: The Department supports credit union efforts to remain competitive, consistent with safety and soundness.  
 Measure: Explanatory

**Requests for Information were Reasonable**

**Customer Responses**

<b>Strongly Agree</b>	<b>32</b>
<b>Somewhat Agree</b>	<b>6</b>
<b>Neither Agree or Disagree</b>	<b>3</b>
<b>Somewhat Disagree</b>	<b>1</b>
<b>Strongly Disagree</b>	<b>1</b>
<b>Skipped Question</b>	<b>66</b>

Strategic Goal: A Flexible Regulatory Framework  
 Strategic Objective: Each commission rule is current, clearly written, and necessary for an effective supervisory process.  
 Measure: Efficiency

**The Department's Conclusion(s) were Based on a Reasonable Interpretation of Applicable Law**

**Customer Responses**

<b>Strongly Agree</b>	<b>37</b>
<b>Somewhat Agree</b>	<b>2</b>
<b>Neither Agree or Disagree</b>	<b>3</b>
<b>Somewhat Disagree</b>	<b>0</b>
<b>Strongly Disagree</b>	<b>1</b>
<b>Skipped Question</b>	<b>66</b>

SCHEDULE G.  
**COMMUNICATION WITH DEPARTMENT**

**Strategic Goal: A Flexible Regulatory Framework**

**Strategic Objective: The department supports credit union efforts to remain competitive,  
Consistent with safety and soundness.**

**Measure: Efficiency**

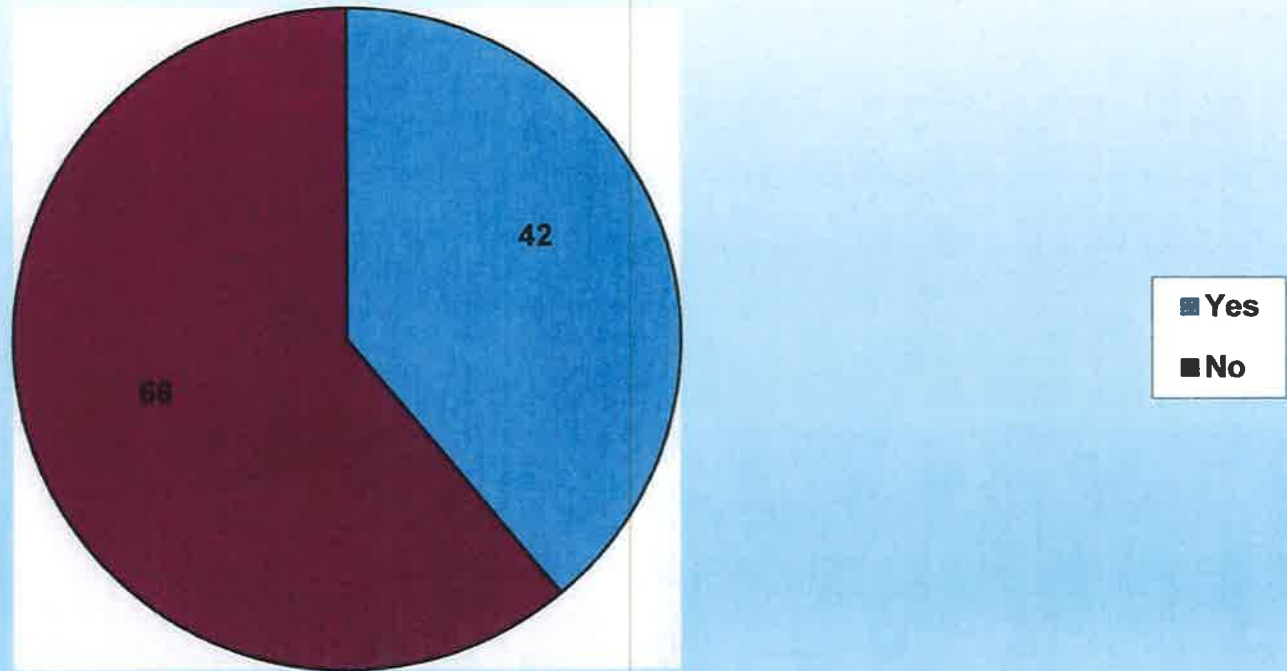
**The Department's Suggestion for Resolving the Complaint(s) was Reasonable**

**Customer Responses**

<b>Strongly Agree</b>	<b>34</b>
<b>Somewhat Agree</b>	<b>3</b>
<b>Neither Agree or Disagree</b>	<b>4</b>
<b>Somewhat Disagree</b>	<b>1</b>
<b>Strongly Disagree</b>	<b>1</b>
<b>Skipped Question</b>	<b>66</b>

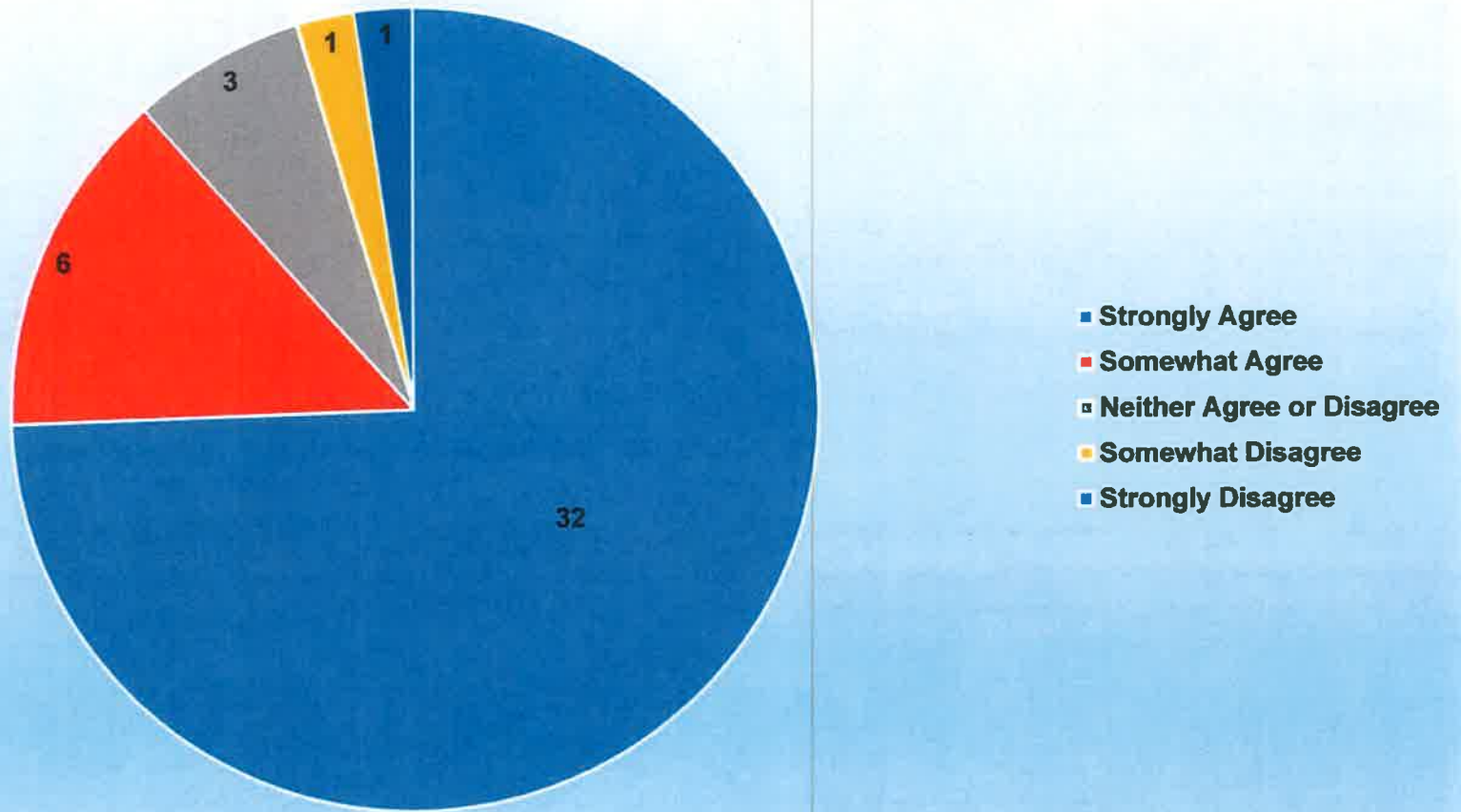
SCHEDULE G.

**Have you corresponded with the Department about a member complaint within the last 12 months?**



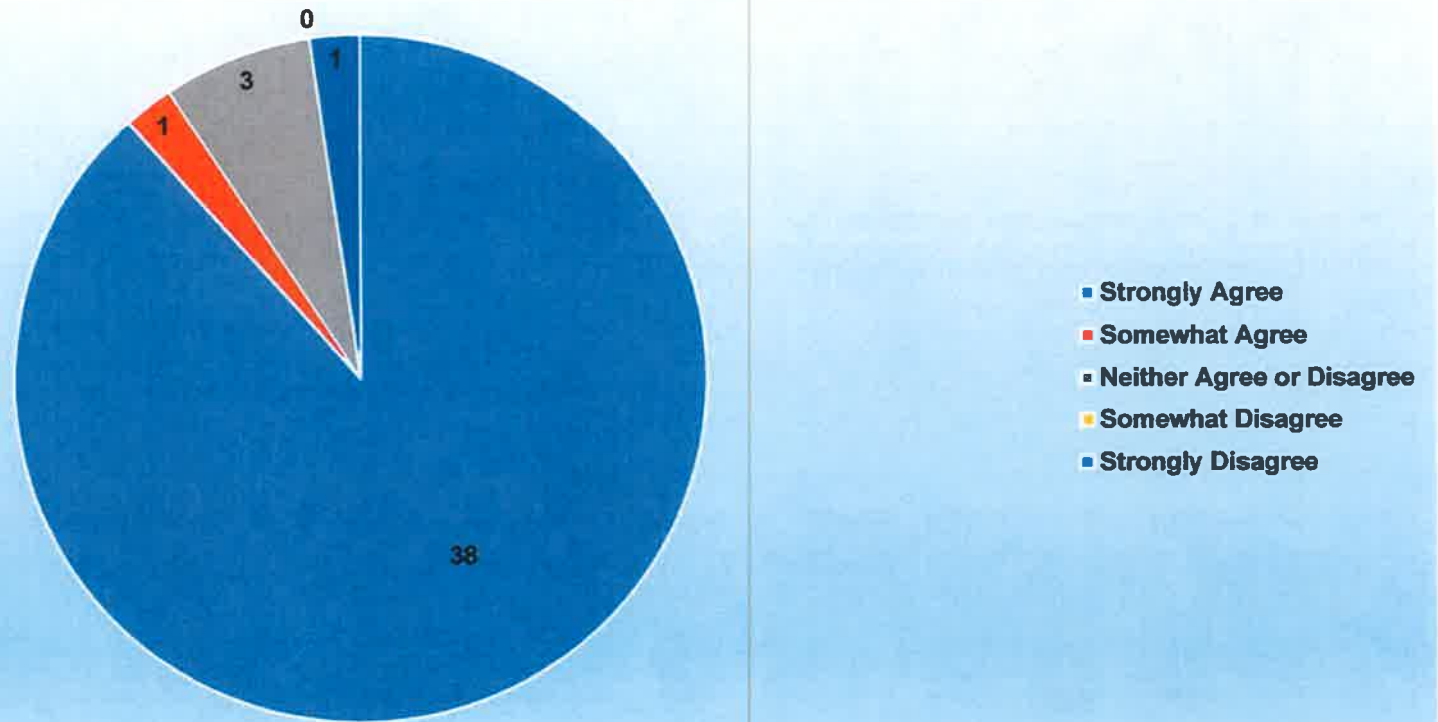


### Request for Information were Reasonable

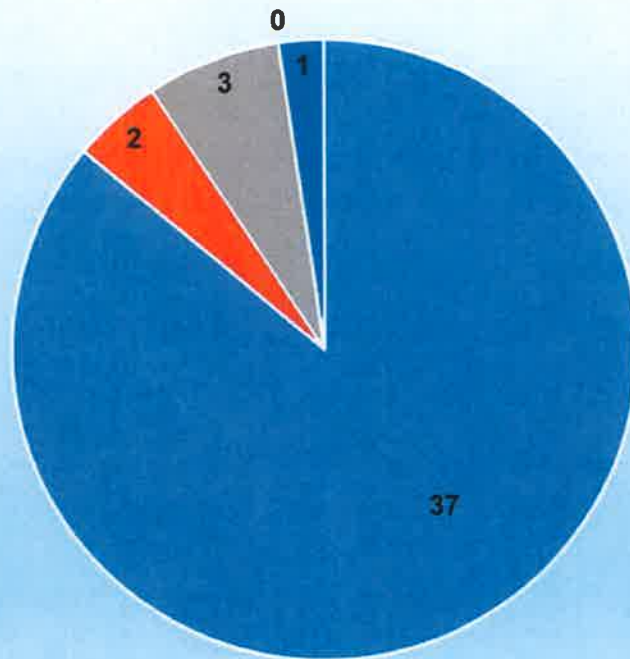


SCHEDULE G.

**Complaint(s) are Handled in a Professional Manner by the Department**

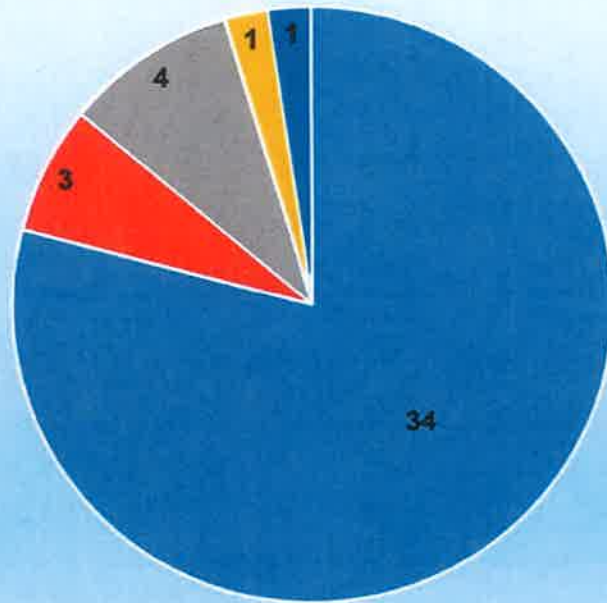


**The Department's Conclusion(s) were Based on a Reasonable Interpretation of Applicable Law**



- Strongly Agree
- Somewhat Agree
- Neither Agree or Disagree
- Somewhat Disagree
- Strongly Disagree

### The Department's Suggestion for Resolving the Complaint(s) was Reasonable



- Strongly Agree
- Somewhat Agree
- Neither Agree or Disagree
- Somewhat Disagree
- Strongly Disagree

**DEPARTMENT WEBSITE**

SCHEDULE G.  
**DEPARTMENT WEBSITE**

**Strategic Goal: Protect Credit Union Member Interests**

**Strategic Objective: All credit union members have reasonable access to credit union services and are treated fairly and lawfully.**

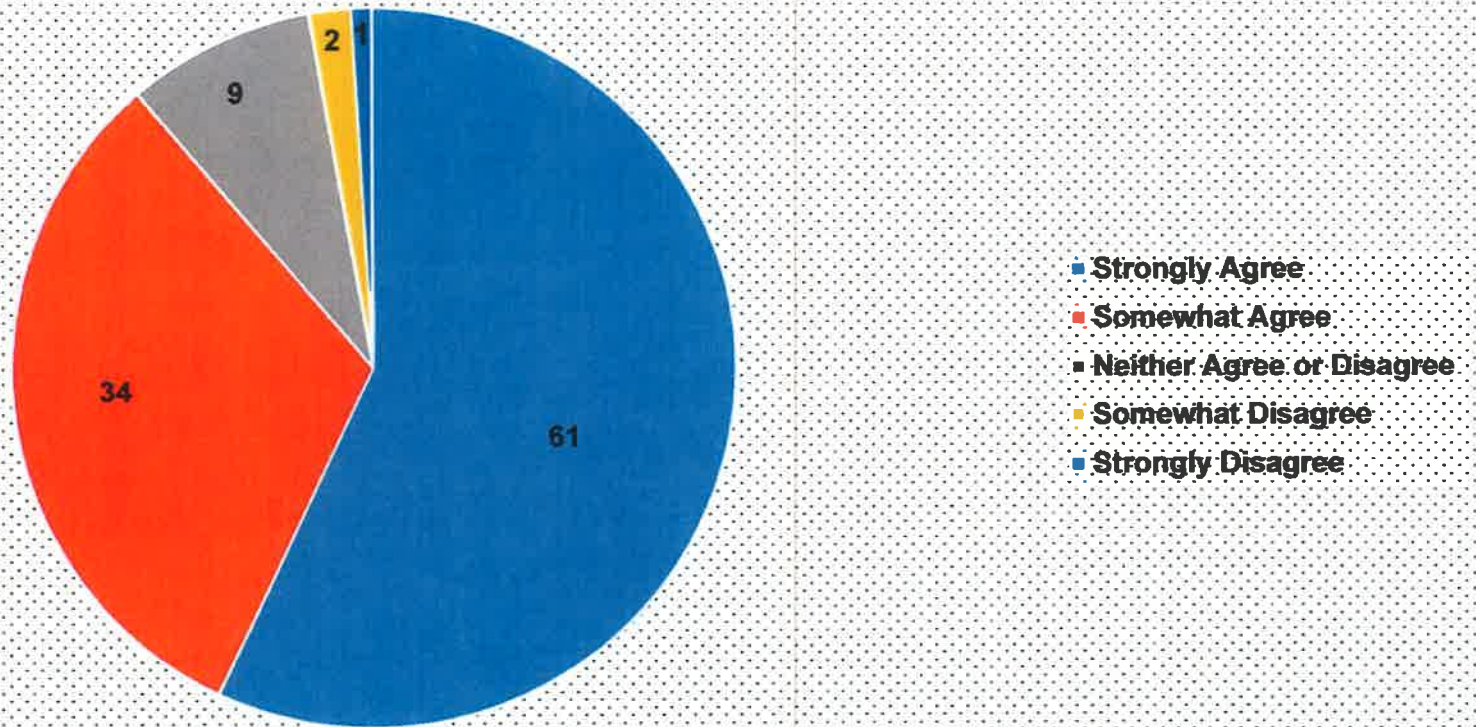
**Measure: Outcome**

**The Department's Website is Informative and Easy to Use**  
**Customer Responses**

<b>Strongly Agree</b>	<b>61</b>
<b>Somewhat Agree</b>	<b>34</b>
<b>Neither Agree or Disagree</b>	<b>9</b>
<b>Somewhat Disagree</b>	<b>2</b>
<b>Strongly Disagree</b>	<b>1</b>
<b>Skipped Question</b>	<b>2</b>



### The Department's Website is Informative and Easy to Use



SCHEDULE G.

## **DEPARTMENT OFFICES**



SCHEDULE G.  
**DEPARTMENT OFFICES**

**Strategic Goal: A skilled and Motivated Staff**  
**Strategic Objective: The department's resource decisions and operations reflect sound financial, security, and risk management principles.**  
**Measure: Outcome**

**The Atmosphere and Amenities of the Austin Office are Conducive to Conducting Business with the Department**

**Customer Responses**

<b>Strongly Agree</b>	<b>22</b>
<b>Somewhat Agree</b>	<b>6</b>
<b>Neither Agree or Disagree</b>	<b>73</b>
<b>Somewhat Disagree</b>	<b>2</b>
<b>Strongly Disagree</b>	<b>0</b>
<b>Skipped Question</b>	<b>6</b>

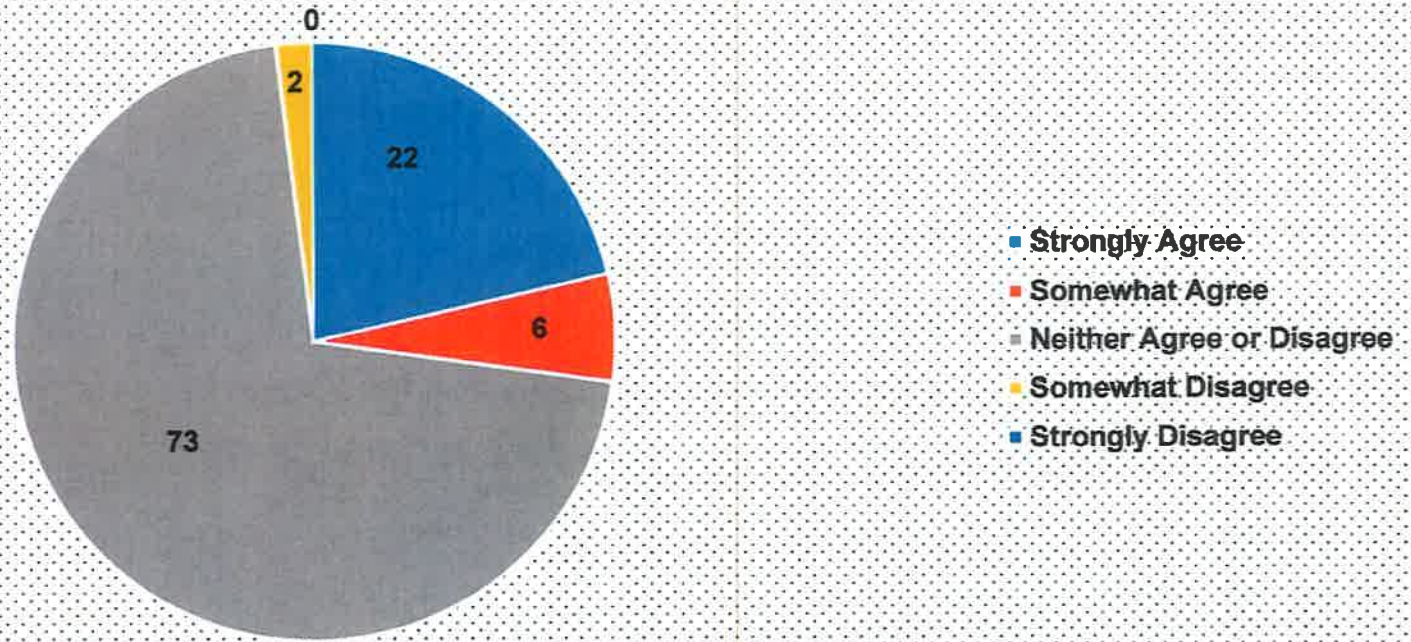
**Strategic Goal: A skilled and Motivated Staff**  
**Strategic Objective: The department's resource decisions and operations reflect sound financial, security, and risk management principles.**  
**Measure: Outcome**

**Parking was Adequate and Easily Accessible**

**Customer Responses**

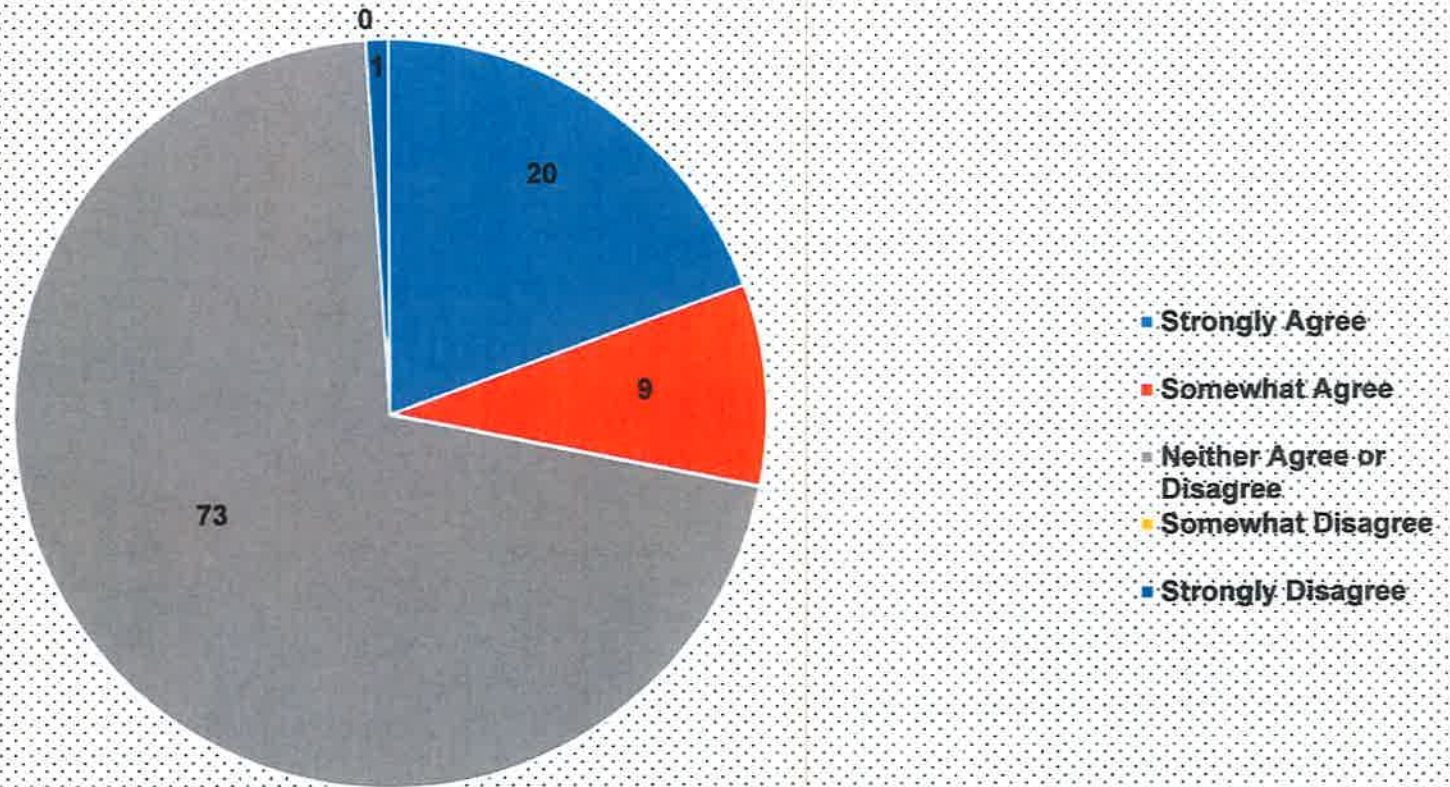
<b>Strongly Agree</b>	<b>20</b>
<b>Somewhat Agree</b>	<b>9</b>
<b>Neither Agree or Disagree</b>	<b>73</b>
<b>Somewhat Disagree</b>	<b>0</b>
<b>Strongly Disagree</b>	<b>1</b>
<b>Skipped Question</b>	<b>6</b>

**The Atmosphere and Amenities of the Austin Office are Conducive to Conducting Business with the Department**





### Parking was Adequate and Easily Accessible



**LEVEL OF SATISFACTION**

SCHEDULE G.  
**LEVEL OF SATISFACTION**

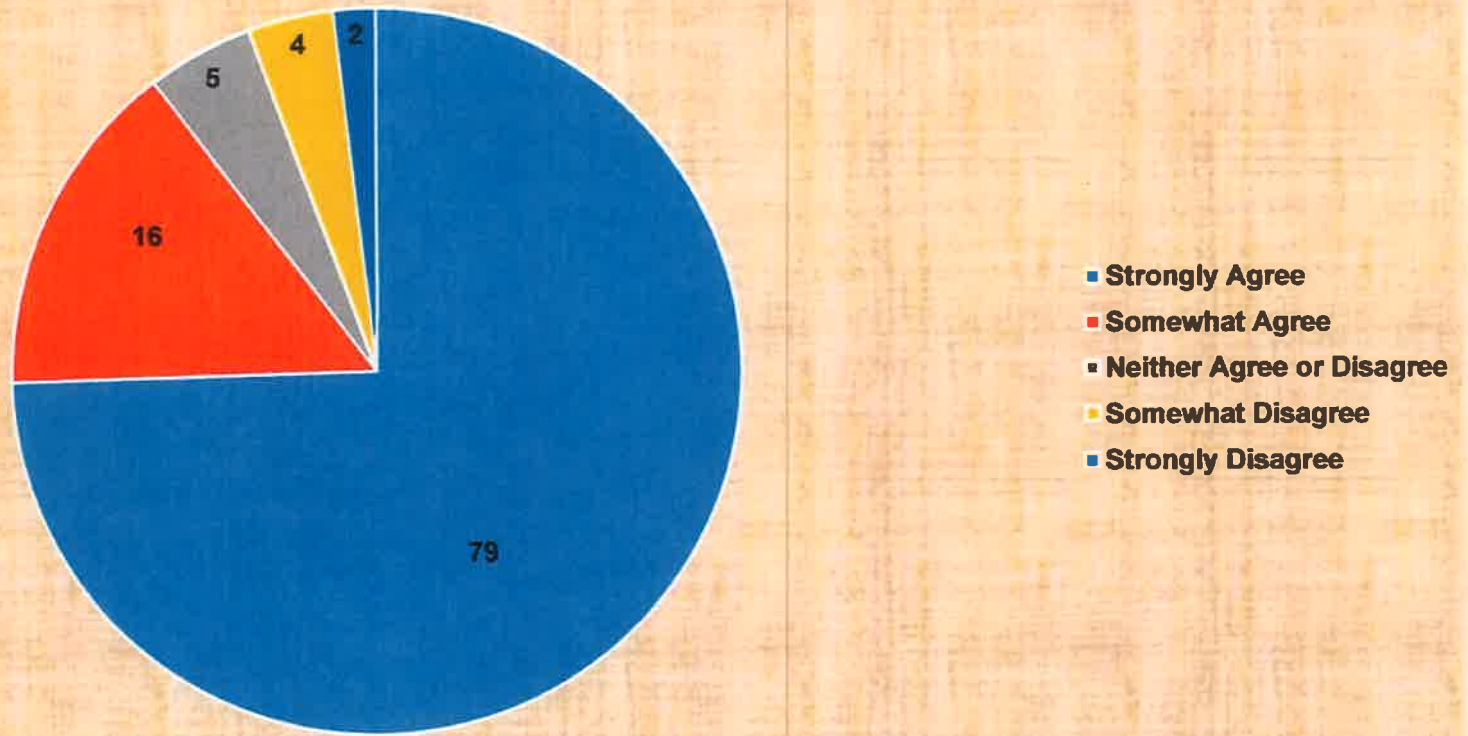
**Strategic Goal: A Safe and Sound Credit Union Industry**  
**Strategic Objective: The department anticipates, understands, addresses, and communicates risk to credit unions.**  
**Measure: Outcome**

**Overall, the Department Provides my Credit Union with Quality Service**

**Customer Responses**

<b>Strongly Agree</b>	<b>79</b>
<b>Somewhat Agree</b>	<b>16</b>
<b>Neither Agree or Disagree</b>	<b>5</b>
<b>Somewhat Disagree</b>	<b>4</b>
<b>Strongly Disagree</b>	<b>2</b>
<b>Skipped Question</b>	<b>3</b>

### Overall, the Department Provides my Credit Union with Quality Service



## COMPLAINTS

### Survey Responses from January 1, 2015 thru May 31, 2015

Reflects summary responses from 18 surveys received or 18 % of the 98 surveys mailed

Questions	Strongly Agree	Somewhat Agree	Neutral	Somewhat Disagree	Strongly Disagree	No Response
Q 1. It was relatively easy to file a complaint with the Department.	12	6	0	0	0	0
Q 2. Department staff communicated with me in a courteous and professional manner.	10	5	2	1	0	0
Q 3. I believe Department staff understood the basis of my complaint.	8	4	1	2	2	1
Q 4. The response provided by the Department addressed the important aspects of my complaint.	7	3	2	1	5	0
Q 5. The explanation given was fair considering applicable laws.	6	2	5	1	4	0
Q 6. The Department website was helpful in the complaint process	9	3	4	2	0	0

### Survey Responses from June 2015 thru August 2015

Reflects summary responses from 5 surveys received or 7.6 % of the 66 surveys mailed

Questions	Strongly Agree	Somewhat Agree	Neutral	Somewhat Disagree	Strongly Disagree	No Response
Q 1. It was relatively easy to file a complaint with the Department.	2	3				
Q 2. Department staff communicated with me in a courteous and professional manner.	2	1	1		1	
Q 3. I believe Department staff understood the basis of my complaint.	2			1	2	
Q 4. The response provided by the Department addressed the important aspects of my complaint.	1	1		3		
Q 5. The explanation give was fair considering applicable laws.	1	1		3		
Q 6. The Department website was helpful in the complaint process.	2	1			2	

**Survey Responses from September, 2015 thru December, 2015**

Reflects summary responses from 11 surveys received or 17 % of the 64 surveys mailed

<b>Questions</b>	<b>Strongly Agree</b>	<b>Somewhat Agree</b>	<b>Neutral</b>	<b>Somewhat Disagree</b>	<b>Strongly Disagree</b>	<b>No Response</b>
Q 1. It was relatively easy to file a complaint with the Department.	2	3	1	2	3	
Q 2. Department staff communicated with me in a courteous and professional manner.	5		2	3	1	
Q 3. I believe Department staff understood the basis of my complaint.	2	1	3	1	4	
Q 4. The response provided by the Department addressed the important aspects of my complaint.	2	3			6	
Q 5. The explanation given was fair considering applicable laws.	2	1	1	2	5	
Q 6. The Department website was helpful in the complaint process.	3	1	1	2	4	



**PART 2. SUPPLEMENTAL ELEMENTS**

**SCHEDULE H.ASSESSMENT OF ADVISORY COMMITTEES**

**NOT APPLICABLE**