

CREDIT UNION COMMISSION MEETING MINUTES
Credit Union Department Building
914 East Anderson Lane, Austin, Texas
November 3, 2017

A. CALL TO ORDER - ASCERTAIN A QUORUM – Chair Allyson “Missy” Morrow called the meeting to order at 9:04 a.m. in the conference room of the Credit Union Department Building, Austin, Texas, pursuant to Chapter 551 of the Government Code, and declared that a quorum was present. Other members present included, Beckie Stockstill Cobb, Yusuf Farran, Steven “Steve” Gilman, Sherri Merket, Jim Minge, Kay Stewart and Rick Ybarra. Assistant Attorney General Melissa Juarez was in attendance to serve as legal counsel. Representing the Department staff were Harold E. Feeney, Commissioner, Robert E. Etheridge, Deputy Commissioner and Joel Arevalo, Director of Information Technology. Chair Morrow appointed Isabel Velasquez as Recording Secretary. The Chair inquired and the Commissioner confirmed that the notice of the meeting was properly posted **(October 23, 2017, TRD#2017012034)**. The Chair announced that under Section 551.074 of the Government Code, the Commission will enter into Executive Session, later this morning, for the purpose of discussing certain personnel issues related to the Commissioner’s Annual Performance Evaluation.

❖ **INVITATION FOR PUBLIC INPUT FOR FUTURE CONSIDERATION** – Chair Morrow invited public input on matters that were not scheduled items on the agenda for possible future consideration by the Commission. No public comments were received.

B. RECEIVE MINUTES OF PREVIOUS MEETING (July 14, 2017). The Chair referred the members to the draft minutes of the previous meeting included in the agenda packet. Mr. Gilman moved for approval of the minutes of July 14, 2017 as presented. Mrs. Cobb seconded the motion, and the motion was unanimously adopted.

C. COMMITTEE REPORTS

(a) Consideration of Report and Recommendations of the Commissioner Evaluation Committee on the Proposed FY 2017 Performance Evaluation and Remuneration for the Commissioner. Mrs. Cobb, Commissioner Evaluation Committee Chair, reported on the Committee's public meeting held on November 2, 2017. Mrs. Cobb explained that the Committee met in a public meeting, to review the information submitted by each Commission member and prepared a proposed evaluation. She explained that the Commission would have an opportunity, in the Executive Session, to discuss that proposal, and revisions the Commission may wish to make, and also to discuss the Commissioner's remuneration for FY 2018.

EXECUTIVE SESSION—Chair Morrow stated that the Commission would be entering into Executive Session as provided under Section 551.074 of the Government Code, for the purpose of discussing certain personnel issues related to the Commissioner's Annual Performance Evaluation and FY 2018 Remuneration. The Commission entered into Executive Session at 9:06 a.m. and reconvened in open session at 9:18 a.m.

Chair Morrow noted that no final action, decision, or vote was made on matters discussed during the Executive Session.

Mrs. Cobb moved that the Commission approve a one-time merit award for Commissioner Feeney in the amount of \$6,126.00 to be effective on December 1, 2017. Mr. Farran seconded the motion and the motion was unanimously adopted.

(b) Consideration of Report and Recommendation of the Rules Committee. Mrs. Stewart, Rules Committee Chairwoman, reported on the Committee's public meeting held on November 2, 2017. He explained that the Committee had thirteen recommendations for consideration by the Commission.

1. Recommendation that the Credit Union Commission Adopt Amendments to 7 TAC Section 91.101 Concerning Definition and Interpretations.

2. Recommendation that the Credit Union Commission Adopt Amendments to 7 TAC Section 91.115 Concerning User Safety at Unmanned Teller Machines.

3. Recommendation that the Credit Union Commission Adopt Amendments to 7 TAC Section 91.121 Concerning the Form of Consumer Complaint Notice.

4. Recommendation that the Credit Union Commission Adopt Amendments to 7 TAC Section 91.205 Concerning the Name of a Credit Union.

5. Recommendation that the Credit Union Commission Adopt Amendments to 7 TAC Section 91.209 Concerning the Submission of Call Reports and Other Information Requests.

Mrs. Stewart explained that the Commission had previously approved for publication and comment the proposed amendments to 7 TAC Sections 91.101, 91.115, 91.121, 91.205, and 91.209. She noted that no comments were received in regards to the proposed amendments.

Mrs. Stewart moved that the Commission adopt the proposed amendments to the noted Rules without change to the proposals previously published in the *Texas Register*. Coming upon recommendation from the Rules Committee, no second was required and the motion was unanimously adopted.

6. Recommendation that the Credit Union Commission Adopt Amendments to 7 TAC Section 91.1003 Concerning Mergers/Consolidations.

Mrs. Stewart explained that the Commission had previously approved for publication and comment the proposed amendments to 7 TAC Section 91.1003. She noted that one comment was received concerning the proposed amendments.

Mrs. Stewart moved that the Commission adopt the proposed amendments to the noted Rule without change to the proposal previously published in the *Texas Register*. Coming upon recommendation from the Rules Committee, no second was required and the motion was unanimously adopted.

7. Recommendation that the Credit Union Commission Withdraw the Previously Published Version of the Rule and Approval for Publication and Comment the Revised New 7 TAC Section 91.1010 Concerning Voluntary Liquidations.

Mrs. Stewart explained that the Commission had previously approved for publication and comment the proposed new 7 TAC Section 91.1010. She noted that no written comments were received, however, it was the Committee's recommendation that the proposal be withdrawn and a revised proposal be approved for publication and comment.

Mrs. Stewart moved that the Commission withdraw the previously published proposed new rule and approve for publication and comment in the *Texas Register* the revised new 7 TAC Section 91.1010 concerning voluntary liquidations. Coming upon recommendation from the Rules Committee, no second was required and the motion was unanimously adopted.

8. Recommendation that the Credit Union Commission Readopt the Rules in 7 TAC, Part 6, Chapter 91, Subchapters D (Powers of Credit Unions), M (Electronic Operations), and N (Emergency or Permanent Closing of Office or Operation).

Mrs. Stewart indicated that in accordance with the Commission's Rule Review Plan, the Committee reviewed all of the rules in Chapter 91, Subchapters D, M, and N. After that review, it was the Committee's determination that certain revisions were appropriate for four of the rules and the Committee will be concurrently proposing amendments to these rules.

Mrs. Stewart moved that the Commission find that the reasons for initially adopting the rules in the noted subchapters continue to exist and that, subject to the separately proposed amendments, the Commission readopt these Rules. Coming upon recommendation from the Rules Committee, no second was required and the motion was unanimously adopted.

9. Recommendation that the Credit Union Commission Approve for Publication and Comment the Proposed Amendments to 7 TAC Section 91.4001 Concerning Authority to Conduct Electronic Operations.

Mrs. Stewart indicated that because of the review of the rules in Subchapter M, the Committee was proposing amendments to Rule 91.4001 that would impose a new requirement on any credit union conducting electronic operations to develop and reasonably test an incident response plan to help minimize the impact of a data breach or other incident on members.

Mrs. Stewart moved that the Commission approve for publication and comment in the *Texas Register* the proposed amendments to 7 TAC Section 91.4001 concerning authority to conduct electronic operations. Coming upon recommendation from the Rules Committee, no second was required and the motion was unanimously adopted.

10. Recommendation that the Credit Union Commission Approve for Publication and Comment the Proposed Amendments to 7 TAC Section 91.4002 Concerning Transactional Web Site Notice Requirements and Security.

Mrs. Stewart noted that based upon the review of Subchapter M, the Committee was proposing amendments to 7 TAC Section 91.4002. that would require a credit union to review the adequacy of its web site's security measures annually instead of once every two years.

Mrs. Stewart moved that the Commission approve for publication and comment in the *Texas Register* the proposed amendments to 7 TAC Section 91.4002 concerning transactional web site notice requirement and security. Coming upon recommendation from the Rules Committee, no second was required and the motion was unanimously adopted.

11. Recommendation that the Credit Union Commission Approve for Publication and Comment the Proposed Amendments to 7 TAC Section 91.5001 Concerning Emergency Closing.

Mrs. Stewart indicated that as a result of the review of the rules in Subchapter N, the Committee was proposing amendments to 7 TAC Section 91.5001 that would encourage credit unions to post notice of an emergency closing of an office on their website and social media pages.

Mrs. Stewart moved that the Commission approve for publication and comment in the *Texas Register* the proposed amendments to 7 TAC Section 91.5001 concerning emergency closing. Coming upon recommendation from the Rules Committee, no second was required and the motion was unanimously adopted.

12. Recommendation that the Credit Union Commission Approve for Publication and Comment the Proposed Amendments to 7 TAC Section 91.5005 Concerning Permanent Closing of an Office.

Mrs. Stewart noted that based upon the review of Subchapter N, the Committee was proposing amendments to 7 TAC Section 91.5005 that would require a credit union to post notice of the permanent closing of an office on its website and any social media pages at least 30 days prior to the proposed closing.

Mrs. Stewart moved that the Commission approve for publication and comment in the *Texas Register* the proposed amendments to 7 TAC Section 91.5005 concerning permanent closing of an office. Coming upon recommendation from the Rules Committee, no second was required and the motion was unanimously adopted.

13. Recommendation that the Credit Union Commission Approve for Publication and Comment the Proposed Amendments, a New Section, and a Repeal in 7 TAC, Part 8, Chapter 153 Concerning Home Equity Lending.

Mrs. Stewart noted that next week the voters of Texas will determine the fate of Proposition 2 (SJR 60). If approved, the provisions of SJR 60 would amend Section 50 of the Texas Constitution and would apply to all home equity loans entered on or after January 1, 2018. To ensure that the necessary changes to the interpretations are implemented as soon as possible after the Constitutional amendments would be effective, the Committee was proposing various changes to 7 TAC, Part 8, Chapter 153 contingent on a favorable vote by the citizens on Proposition 2.

Mrs. Stewart moved that the Commission conditionally approve for publication and comment in the *Texas Register* the proposed amendments, a new section, and a repeal in 7 TAC, Part 8, Chapter 153, concerning home equity lending, subject to a favorable vote on Proposition 2 in the November 7, 2017 election.

Coming upon recommendation from the Rules Committee, no second was required and the motion was unanimously adopted.

14. Discussion on Potential Rules to Implement HB 471 (Proposition 7 on the November 7 Ballot).

Mrs. Stewart noted that the Committee had discussed HB 471, the enabling legislation for Proposition 7 on the November 7 Ballot (HJR 37) and the potential requirement that the Credit Union Commission adopt rules to enforce the provisions of the bill. She indicated the Committee took no action on the item.

D. PENDING AND ONGOING MATTERS

(a) Discussion and Consideration of the Department's FY 2018 Budget and Financial Performance. Commissioner Feeney indicated that for the first month of FY 2018, operating income totaled \$2,084,579, which is \$111,846 below the YTD budgeted amount. He noted that a few credit unions had missed the due date but all operating fees have been subsequently collected. Mr. Feeney explained during the first month of the fiscal year, \$277,662 was spent operating the Department. He reiterated that most bills are not paid until 30 days after the due date so some of the operating cost will not be reflected until the October statement.

After a brief discussion, no formal action was taken by the Commission.

(e) Discussion and Consideration of Current Status of the State Credit Union System. Deputy Commissioner Etheridge reported that the operating environment for Texas credit unions continues to be good because of a sound Texas economy. He further explained that, in general, Texas credit unions continue to perform well and realize positive loan growth, strong asset quality trends, satisfactory earnings performance and stable net worth positions.

After a brief discussion of some of the key financial trends, no formal action was taken by the Commission.

E. NEW MATTERS

(a) Discussion, Consideration and Possible Vote to Take Action on the Re-adoption of the Department's Equal Employment and Workforce Diversity Plan.

Commissioner Feeney noted that various State laws require the Department to prepare and maintain a written policy statement to assure implementation of a program of equal employment and workforce diversity. He indicated the Commission originally approved a Plan back in 1997 and that the Plan covers a 12-month period, and therefore, must be ratified annually.

After a brief discussion, Mrs. Cobb moved that the Commission re-adopt the Department's Equal Employment and Workforce Diversity Plan as recommended by Staff. Mr. Minge seconded the motion and the motion was unanimously adopted.

(b) Discussion and Consideration of the Date for Next Commission Meeting (March 9, 2018). Chair Morrow reminded everyone that the next regular meeting of the Commission has been tentatively scheduled for March 9, 2018 at 9:00 a.m. in Austin.

ADJOURNMENT – There being no further business for the Credit Union Commission, Chairwoman Morrow adjourned the meeting at 9:38 a.m.

Allyson “Missy” Morrow
Chairman

Isabel Velasquez
Recording Secretary

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