

CREDIT UNION COMMISSION MEETING MINUTES
Credit Union Department Building
914 East Anderson Lane, Austin, Texas
March 8, 2019

A. CALL TO ORDER - ASCERTAIN A QUORUM – Chair Allyson “Missy” Morrow called the meeting to order at 9:00 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. Commission Member Liz Bayless was absent due to medical reasons. Assistant Attorney General Melissa Juarez was in attendance to serve as legal counsel. Representing the Department staff were John J. Kolhoff, 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 **(February 25, 2019, TRD#2019001230)**.

❖ **CEREMONIAL SWEARING-IN OF COMMISSIONER KOLHOFF** – Chair Morrow welcomed everyone to the swearing-in ceremony of John Kolhoff as the Commissioner of the Credit Union Department. Mrs. Morrow expressed the importance of this event and being named the Texas Credit Union Commissioner is an extraordinary responsibility and the Commission is very pleased to have been fortunate enough to appoint someone with Mr. Kolhoff’s knowledge and experience. Mr. Kolhoff was ceremoniously sworn-in. Mr. Kolhoff thanked the Commission, the Texas credit union industry, the trade associations for allowing him the opportunity to serve as Commissioner, and the warm reception since his arrival in Texas.

The Chair recessed the meeting at 9:04 a.m., to enjoy coffee/juice and pastries.
The Chair reconvened the meeting at 9:20 a.m.

❖ **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.

- **Melodie Durst – Executive Director - Credit Union Coalition** welcomed Commissioner Kolhoff. Ms. Durst stated that they have had an opportunity to spend some time together around the state and at the Capitol and it has been a pleasure to get to know him. The Coalition looks forward to continuing to work with Mr. Kolhoff, staff and the commission.

❖ **RECEIVE REQUESTS AND MOTIONS FOR EXCUSED ABSENCES** – Chair Morrow inquired if there were any requests or motions to excuse an absence. Ms. Merket moved to excuse Commission Member Liz Bayless from the Commission meeting on March 8, 2019. Mr. Farran seconded the motion, and the motion was unanimously adopted.

B. RECEIVE MINUTES OF PREVIOUS MEETING (October 15, 2018).

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 October 15, 2018 as presented. Ms. Cobb seconded the motion, and the motion was unanimously adopted.

C. PENDING AND ONGOING MATTERS

(a) Discussion, Consideration, and Possible Vote to Recommend that the Credit Union Commission Take Action on the Completed Rule Review of 7 TAC, Part 6, Chapter 91, Subchapter E Concerning Direction of Affairs.

Commissioner Kolhoff reported that this is part of our normal review required by Section 2001.039, Government Code. At its July 8, 2016 meeting, the commission approved a plan which establishes a date for the required review for each of the affected rules. He indicated that the Department received no written comments during the public comment period.

After a short discussion, Mr. Minge moved that the Commission find that the reasons for adopting **7 TAC, Part 6, Chapter 91, Subchapter E** continue to exist and that the commission readopt these rules. Ms. Stewart seconded the motion and the motion was unanimously adopted.

(b) Discussion, Consideration, and Possible Vote to Recommend that the Credit Union Commission Take Action on the Completed Rule Review of 7 TAC, Part 6, Chapter 91, Subchapter F Concerning Accounts and Services.

Commissioner Kolhoff reported that this is part of our normal review required by Section 2001.039, Government Code. At its July 8, 2016 meeting, the Commission approved a plan which establishes a date for the required review for each of the affected rules. He indicated that the Department received no written comments during the public comment period.

After a brief discussion, Mr. Gilman moved that the Commission find that the reasons for adopting **7 TAC, Part 6, Chapter 91, Subchapter F** continue to exist and that the commission readopt these rules. Ms. Cobb seconded the motion and the motion was unanimously adopted.

(c) Discussion and Consideration of the Department's FY 2019 Financial Performance. Commissioner Kolhoff indicated that for the first five months of FY 2019, operating income totaled \$2,265,259 which is \$8,897 above the YTD budgeted amount. Mr. Kolhoff explained that during the same period of time, \$910,136 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 being reflected are only for a four-month period. He further reported that the request for the second installment of the annual operating fee was mailed out to all credit unions on February 25th with a 19.74% discount to more closely match revenues with anticipated expenses.

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

(h) Discussion and Consideration of Current Status of the State Credit Union System. Deputy Commissioner Etheridge indicated that Texas credit unions are performing well and continue to realize positive loan growth, good asset quality trends, high earnings performance, and strengthening net worth positions.

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

D. NEW MATTERS

(a) Discussion, Consideration and Possible Vote to Approve and Authorize the Submission of the Department's Annual Risk Assessment Report for FY 2019 as Required by Section 2102.004, Government Code. Commissioner Kolhoff noted that Government Code Section 2102.013 requires certain state agencies to conduct a formal internal risk assessment each year and submit the assessment to the State Auditor's Office. He indicated that staff had completed the

internal risk review for 2019 and had prepared a written assessment of the risks along with the controls the Department has in place to mitigate those risks.

After a brief discussion, Ms. Merket moved that the Commission approve the Department's Internal Risk Assessment Report for 2019 and authorize its submission to the State Auditor's Office. Mr. Ybarra seconded the motion and the motion was unanimously adopted.

(b) Discussion, Consideration, and Possible Vote to Take Action to Approve the Proposed Amendments to the Commission's Policies Manual, as Part of its Annual Policy Review. Commissioner Kolhoff indicated that in accordance with Policy, the Commission is required to review its policies manual at least once each year. He noted that at this time, staff has no recommendation for changes to any of the policies contained in the manual. Unless the commission members have suggested modifications to the policies, the record will reflect that the commission has reviewed the manual and no modifications are necessary at this time.

(c) Discussion, Consideration, and Possible Vote to Take Action on the General Budget Assumptions and Parameters to be used in Guiding the Development of the Department's FY 2020 Budget. Commissioner Kolhoff reported that Section 16.003 of the Finance Code gives the Commission exclusive responsibility for approving the Department's annual budget. He noted that the budget is scheduled to be considered at the next meeting and that staff had drafted suggested budget guidelines for the commission's consideration. He also explained that salaries and benefits have been updated. At this time, we are not calculating any increases based on cost of living. Mr. Kolhoff also reported that retiring insurance cost is changing due to our former commissioner retiring. He reminded the commission on how involved he is at the national level with the National Association State Credit Union Supervisors (NASCUS) and expenses are expected to rise from

previous years for travel and conference expenses. Another change to the budget is the purchase of laptops for our field staff including replacing the desktop computers to laptops for our office staff over the next three years.

- **Yusuf Farran – Commission Member**, recommended that the Commission receive reports of travel expenses and the benefits gained when the Commissioner participates in meetings and conferences.

After a brief discussion, Mr. Farran moved that Commission adopt the proposed budget assumptions and parameters for FY 2020 as recommended by staff. Ms. Cobb seconded the motion and the motion was unanimously adopted.

(d) Discussion, Consideration, and Possible Vote to Adopt Resolution Commemorating A New Direction Credit Union for their Contribution to the Citizens of Texas on the Respective Milestone Anniversary Date of their Origin. Commissioner Kolhoff noted that in accordance with provisions of the Commission’s Policies Manual, the Commission may adopt resolutions honoring credit unions for reaching certain milestone dates. In accordance with the criteria detailed in the policy, staff presented one resolution for the Commission's consideration.

After a short discussion, Ms. Stewart moved that the Commission adopt the Resolution Commemorating **A New Direction Credit Union** for their contribution to the citizens of Texas on the respective milestone anniversary of their origin and that a copy of the appropriate resolution be mailed to the individual credit union. Ms. Merket seconded the motion and the motion was unanimously adopted.

(e) Discussion and Consideration of Legislative Issues and Activities Relating to the 86th Regular Session that may Impact the Department or Credit Unions under its Jurisdiction. Commissioner Kolhoff reported that March 8 is the

deadline for filing bills. May 27 will be the last day of the regular session and June 16 will be the last day the Governor can sign, or veto bills passed during the regular session. Mr. Kolhoff reported that on February 21 he testified to the Pensions, Investments and Financial Services Committee. He indicated that there is not really a whole lot out there that can directly affect the department but there are some bills worth mentioning that could impact the credit union system or the Department:

- **HB 226** – this bill would form a commission to review certain penal laws of this state and to make certain recommendations regarding those laws, to criminal offenses previously compiled in statutes outside the Penal Code, to repealing certain of those offenses, and to conforming punishments for certain of those offenses to the penalty structure provided in the Penal Code; increasing the punishment for the criminal offenses of sedition, sabotage, and capital sabotage; imposing a civil penalty.
 - **HB 592** – this bill would authorize a credit union to act as a school district depository.
 - **HB 904** – this bill would require The University of Texas at San Antonio to conduct a study regarding cyber attacks against financial institutions in this state.
 - **HB 3166** – this bill would prohibit a person from opening a line of credit in a minor's name without parental approval.
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- **Suzanne Yashewski – Regulatory and Compliance Counsel – Cornerstone Credit Union League** – reported that she has been working on these legal issues with credit unions for 18 years and concurred with Commissioner Kolhoff indicated that he addressed the issue perfectly. She explained that state laws handle this issue differently, but he was spot on how it is handled in Texas as well. There are a handful of credit unions over the years that she has talked to that do this with very small dollar loans. These credit unions realize

enforcement of lines of credit opened for minors without parental signature may be difficult or impossible and understand they might just have to write off such loans, but the institutions use these small loans as an opportunity to give minor children under the age of 18 the opportunity to learn some financial literacy and get involved in the process.

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

(h) Discussion and Consideration of the Date for Next Commission Meeting (July 12, 2019). Chair Morrow reminded everyone that the next regular meeting of the Commission has been tentatively scheduled for July 12, 2019 at 9:00 a.m. in Austin. Furthermore, Ms. Morrow stated that she believes this may be her last commission meeting. She wanted to extend her heartfelt appreciation and thanks to everybody that she has worked with. “Those of you that are new, those of you that have been here with us over the last 12 years I really appreciate it,” she said. She further expressed that it has been a life changing experience and would highly recommend if anyone knew of someone in the credit union industry to impress on them the importance of the responsibility to volunteer.

ADJOURNMENT – There being no further business for the Credit Union Commission, Chairwoman Morrow adjourned the meeting at 10:19 a.m.

Allyson “Missy” Morrow
Chairman

Isabel Velasquez
Recording Secretary

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