

CREDIT UNION COMMISSION MEETING MINUTES
Credit Union Department Building
914 East Anderson Lane, Austin, Texas
March 9, 2018

A. CALL TO ORDER - ASCERTAIN A QUORUM – Chair Allyson “Missy” Morrow called the meeting to order at 9:03 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, and Rick Ybarra. Commission Member Kay Stewart was absent due to a scheduling conflict. 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 (**February 26, 2018, TRD#2018003582**).

- ❖ **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.

- ❖ **RECEIVE REQUESTS AND MOTIONS FOR EXCUSED ABSENCES** – Chair Morrow inquired if there were any requests or motions to excuse an absence. Mr. Farran moved to excuse Commission Member Kay Stewart from the Commission meeting on March 9, 2018. Mrs. Merket seconded the motion, and the motion was unanimously adopted.

B. RECEIVE MINUTES OF PREVIOUS MEETING (November 3, 2017).

The Chair referred the members to the draft minutes of the previous meeting included in the agenda packet. Mr. Minge moved for approval of the minutes of November 3, 2017 as presented. Mr. Ybarra seconded the motion, and the motion was unanimously adopted.

D. PENDING AND ONGOING MATTERS

(a) Discussion, Consideration, and Possible Vote to Take Action on the Adoption of Proposed New 7 TAC Section 91.1010 Concerning Voluntary Liquidation. Commissioner Feeney reported that at is November meeting the Commission approved for publication and comment the proposed new Rule 91.1010. Mr. Feeney explained that the proposal would provide guidance to credit unions when they are considering a voluntary liquidation of the institution. The guidelines will enable the board of directors or liquidating agent to conduct the liquidation of the credit union in a more orderly and expeditious manner and arrange distribution of the assets to the members without undue delay. He indicated that the Department received no written comments during the public comment period.

After a short discussion, Mrs. Cobb moved that the Commission adopt the new **7 TAC Section 91.1010** as previously published in the *Texas Register*. Mr. Gilman seconded the motion and the motion was unanimously adopted.

(b) Discussion, Consideration, and Possible Vote to Take Action on the Adoption of Proposed Amendments to 7 TAC Section 91.4001 Concerning Authority to Conduct Electronic Operations. Commissioner Feeney noted that as a result of the review Chapter 91, Subchapter M at the November meeting, the Commission approved for publication and comment the proposed amendments to Rule 91.4001. Mr. Feeney explained that the amendments will institute a new requirement that credit unions that use electronic means and facilities to employ an

incident response, which has been subjected to reasonable testing, to minimize the impact of a data breach or other electronic incident on members. He indicated that the Department received no written comments during the public comment period.

After a brief discussion, Mrs. Merket moved that the Commission adopt the proposed amendments to **7 TAC Section 91.4001** as previously published in the *Texas Register*. Mrs. Cobb seconded the motion and the motion was unanimously adopted.

(c) Discussion, Consideration, and Possible Vote to Take Action on the Adoption of Proposed Amendments to 7 TAC Section 91.4002 Concerning Transactional Web Site Notice Requirement; and Security Review. Commissioner Feeney noted that as a result of the review of Chapter 91 Subchapter M at the November meeting, the Commission approved for publication and Comment the proposed amendments to Rule 91.4002. Mr. Feeney reported that the amendments will require a credit union to review of the adequacy of its website's security measures annually instead of once every two years. He indicated that the Department received no written comments during the public comment period.

After a short discussion, Mr. Gilman moved that the Commission adopt the proposed amendments to **7 TAC Section 91.4002** as previously published in the *Texas Register*. Mr. Minge seconded the motion and the motion was unanimously adopted.

(d) Discussion, Consideration, and Possible Vote to Take Action on the Adoption of Proposed Amendments to 7 TAC Section 91.5001 Concerning Emergency Closing. Commissioner Feeney noted that as a result of the review of Chapter 91 Subchapter N at the November meeting, the Commission approved for publication and Comment the proposed amendments to Rule 91.5001. Mr. Feeney

explained that the amendments will urge a credit union to post notice of an emergency closing of an office or operation on its website and any social media pages. He indicated that the Department received no written comments during the public comment period.

After a brief discussion, Mrs. Cobb moved that the Commission adopt the proposed amendments to **7 TAC Section 91.5001** as previously published in the *Texas Register*. Mr. Ybarra seconded the motion and the motion was unanimously adopted.

(e) Discussion, Consideration, and Possible Vote to Take Action on the Adoption of Proposed Amendments to 7 TAC Section 91.5005 Concerning Permanent Closing of an Office. Commissioner Feeney noted that as a result of the review of Chapter 91 Subchapter N at the November meeting, the Commission approved for publication and Comment the proposed amendments to Rule 91.5005. Mr. Feeney reported that the amendments will institute a new requirement that a credit union 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 date. He indicated that the Department received no written comments during the public comment period.

After a short discussion, Mr. Farran moved that the Commission adopt the proposed amendments to **7 TAC Section 91.5005** as previously published in the *Texas Register*. Mr. Minge seconded the motion and the motion was unanimously adopted.

(f) Discussion, Consideration, and Possible Vote to Take Action on the Adoption of Proposed Amendments, a New Section, and a Repeal in 7 TAC, Part 8, Chapter 153, Concerning Home Equity Lending. Commissioner Feeney noted that at the November meeting, the Commission approved for publication and

comment the proposed amendments, a new section, and a repeal in 7 TAC, Part 8, Chapter 153. The main purpose of the amendments is to implement SJR 60 passed by the Legislature during the 85th Legislative Session and approved by the Voters in November 2017. SJR 60 amends Section 50 of the Texas Constitution and applies to home equity loans entered on or after January 1, 2018. He further noted that the Finance Commission of Texas had adopted the amendments, new Section with non-substantive changes, and repeal in 7 TAC, Part 8, Chapter 153, subject to the same vote by the Commission. Commissioner Feeney explained that the two Commissions had received nine written comments on the Proposal. In response to the comments received, Mr. Feeney highlighted the non-substantive changes to new Section 153.45 that were being recommended by staff.

After a brief discussion, Mr. Gilman moved that the Commission adopt the proposed amendments to **7 TAC, Part 8, Chapter 153, Sections 153.1, 153.5, 153.14, 153.17, 153.84, and 153.86**, and the repeal of **Section 153.87** without changes, and the new **Section 153.45** with non-substantive changes to the text previously published in the *Texas Register*. Mr. Minge seconded the motion and the motion was unanimously adopted.

(g) Discussion and Consideration of the Department's FY 2018 Budget and Financial Performance. Commissioner Feeney indicated that for the first five months of FY 2018, operating income totaled \$2,205,724, which is \$9,299 above the YTD budgeted amount. Mr. Feeney explained that during the same period of time, \$1,511,351 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 second installment of the annual operating fee was mailed out to all credit unions on February 23rd with a 18.75% discount to more closely match revenues with anticipated expenses. Mr. Feeney also provided official notification, as required by 7 TAC Section 97.113, that he had waived the second installment of the FY 2018

Operating Fee for SAFE Credit Union, which merged with a federal credit union on March 1, 2018.

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 remain financially and operationally sound as the result of effective credit union management and a sound economy in Texas. He further explained that, generally, 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 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 Take Action on the Adoption of the Completed Rule Review of 7 TAC, Part 6, Chapter 93 Concerning Administrative Proceedings. Commissioner Feeney indicated that at the July 2016 meeting, the Commission approved a plan which established a date for the required review for each of the applicable rules. He reported that staff had reviewed 7 TAC Part 6, Chapter 93 and believes that certain revisions are appropriate and necessary. Mr. Feeney noted that the recommended amendments to Chapter 93 would be presented separately for consideration. He explained that notice of review and a request for comments on these rules were published in the

December 15, 2017 issue of the *Texas Register* and that no comments were received. Mr. Feeney further indicated that staff believes that the reasons for adopting these rules continue to exist and that, subject to the separately proposed amendments, the rules should be readopted.

After further consideration of the rules, Mr. Minge moved that the Commission find that the reasons for adopting **7 TAC, Part 6, Chapter 93** continue to exist and that subject to the separately proposed amendments, the Commission readopt these rules. Mrs. Cobb seconded the motion and the motion was unanimously adopted.

(b) Discussion, Consideration and Possible Vote to Take Action on the Approval for Publication and Comment the Proposed Amendments, a New Section and Three Repeals in 7 TAC, Part 6, Chapter 93 Concerning Administrative Proceedings. Commissioner Feeney reported the proposed amendments, a new section, and three repeals in 7 TAC, Part 6, Chapter 93 is to implement changes resulting from the Commission's review of the Chapter. Mr. Feeney highlighted the proposed changes, which, generally, are intended to provide: (1) consistency with the Administrative Procedure Act; (2) consistency with the State Office of Administrative Hearings procedural rules; (3) better readability and clarification; and (4) technical corrections.

After a short discussion, Mr. Minge moved that the Commission approve for publication and comment in the *Texas Register* the proposed amendments, a new section, and three repeals in **7 TAC, Part 6, Chapter 93**. Mr. Farran seconded the motion and the motion was unanimously adopted.

(c) Discussion, Consideration and Possible Vote to Approve and Authorize the Submission of the Department's Annual Risk Assessment Report for FY 2018 as Required by Section 2102.004, Government Code. Commissioner

Feeney 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 2018 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, Mrs. Merket moved that the Commission approve the Department's Internal Risk Assessment Report for 2018 and authorize its submission to the State Auditor's Office. Mrs. Cobb seconded the motion and the motion was unanimously adopted.

(d) Discussion, Consideration, and Possible Vote to Approve and Authorize the Submission of the Department's Strategic Plan for Fiscal Years 2019-2023. Commissioner Feeney reported that Section 2056.002 of the Government Code requires that every two years each agency must submit a formal strategic plan that covers a prescribed 5-year horizon (FY 2019-2023). Mr. Feeney reported that the guidelines were recently received from the Governor's Office for preparing the Strategic Plan. He noted that the guidelines are similar to the previous plans, however, minor formatting changes will be needed, and the Customer Survey results will need to be updated upon completion of the FY 2018 survey.

After some discussion, Mr. Ybarra moved that the Commission approve the proposed Fiscal Year 2019-2023 Strategic Plan and authorize its submission, subject to the formatting changes prescribed by the Governor and the updated survey information. Mr. Gilman seconded the motion and the motion was unanimously adopted.

(e) 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 Feeney indicated that in

accordance with Policy, the Commission is required to review its policies manual at least once each year. He noted that in preparation for that review, Staff has studied the various policies and is recommending certain changes to Sections VII (Recognition Awards) and XV (Ethical Standards). In addition, Staff is suggesting a new Section XVII (Information Technology), a renumbering of existing sections, and a new Appendix D (Enterprise Risk Appetite Statement).

After a short discussion, Mr. Farran moved that the Commission approve the proposed changes to the Commission's Policies Manual as recommended by staff. Mrs. Merket seconded the motion and the motion was unanimously adopted.

(f) 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 2019 Budget. Commissioner Feeney 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.

Commission Member Minge expressed concerns about keeping staff salaries competitive in the current economic environment. He suggested that the proposed pool of funds available for merit increases may not be sufficient. He indicated that most credit unions would be willing to pay a little higher fee if it allowed the Department to be fully staffed with experienced personnel.

After a brief discussion, Mr. Minge moved that Commission adopt the proposed budget assumptions and parameters for FY 2019 with an increase in the

percentage used to calculate the pool of funds available to pay merit raises from 3% to 4%. Mr. Gilman seconded the motion and the motion was unanimously adopted.

(g) Discussion, Consideration, and Possible Vote to Adopt Resolutions Commemorating Associated Credit Union, Mesquite Credit Union, and SPCO Credit Union for their Contributions to the Citizens of Texas on the Respective Milestone Anniversary Dates of their Origin. Commissioner Feeney noted that in accordance with provisions of the Commission's Policies Manual, the Commission may adopt resolutions honoring credit unions for reaching certain milestones dates. In accordance with the criteria detailed in the policy, staff was presenting three resolutions for the Commission's consideration.

After a short discussion, Mr. Gilman moved that the Commission adopt the Resolutions Commemorating **Associated Credit Union of Texas, Mesquite Credit Union, and SPCO Credit Union** for their contributions to the citizens of Texas on the respective milestones anniversary of their origin and that a copy of the appropriate resolutions be mailed to the individual credit unions. Mrs. Merket seconded the motion and the motion was unanimously adopted.

(h) Discussion and Consideration of the Date for Next Commission Meeting (July 13, 2018). Chair Morrow reminded everyone that the next regular meeting of the Commission has been tentatively scheduled for July 13, 2018 at 9:00 a.m. in Austin.

Commission Member Gilman suggested that given the high percentage of staff that are or will be eligible to retire in the next five years that the Commission may want to review the Department's Personnel Succession/Replacement Plans. It was the consensus of the Commission that the Plans should be an agenda item at a future meeting.

ADJOURNMENT – There being no further business for the Credit Union Commission, Chairwoman Morrow adjourned the meeting at 10:05 a.m.

Allyson “Missy” Morrow
Chairman

Isabel Velasquez
Recording Secretary

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