

CREDIT UNION COMMISSION MEETING MINUTES
Credit Union Department Building
(Via video/teleconference only)
914 East Anderson Lane, Austin, Texas
May 8, 2020

A. CALL TO ORDER -- Chair Yusuf Farran called the meeting to order at 9:05 a.m. via video/teleconference, pursuant to Chapter 551 of the Government Code, and declared that a quorum was present. Other members present included, Liz Bayless, Karyn Brownlee, Beckie Stockstill Cobb, Steven “Steve” Gilman, Sherri Merket, Jim Minge, David Shurtz and Kay Swan. Assistant Attorney General Melissa Juarez was in attendance to serve as legal counsel by phone but experienced connectivity issues. Representing the Department staff were John J. Kolhoff, Commissioner, Robert E. Etheridge, Deputy Commissioner, and Director of Information and Technology Joel Arevalo. Chair Farran appointed Isabel Velasquez as Recording Secretary. The Chair inquired and the Commissioner confirmed that the notice of the meeting was properly posted (**May 8, 2020, TRD#2020002196**).

❖ **GENERAL PUBLIC COMMENT** -- Chair Farran 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. MINUTES OF PREVIOUS MEETING (February 7, 2020) -- The Chair referred the members to the draft minutes of the previous meeting included in the agenda packet and asked for any proposed edits. Hearing none the Chair asked for a motion to approve the minutes. Mr. Gilman moved for approval of the minutes of February 7, 2020 as presented. Mrs. Cobb seconded the motion, and the commission carried the motion unanimously.

C. DEPARTMENT’S ACTIVITIES RELATED TO COVID-19 -- Commissioner Kolhoff reported that the Department has taken significant actions in

response to the COVID-19 outbreak. The office staff has split their time in the office now in order to ensure operations are continuing, but trying to mitigate as much as we can, operational risk of both teams getting infected by sharing the office 20 hours and spending 20 hours offsite. Our examiners continue to conduct exams and are doing everything they can at this point remotely. Furthermore, examiners are conducting weekly calls to credit union CEOs and surveying operational, credit, liquidity and sensitivity risks during the pandemic. Mr. Kolhoff noted that the industry has done a great job. They continue to meet the needs of the industry. Furthermore, Mr. Kolhoff explained that the Department had been working on expanding the use of offsite time in the examination program and reacting to the COVID-19 pandemic has moved us further along the learning curve.

- ❖ **Commission Member Jim Minge, President/CEO of Texas Trust Credit Union** expressed his appreciation and the credit union movement for all the help and assistance Commissioner Kolhoff has provided throughout this pandemic.
- ❖ **Commission Member Steve Gilman, CEO of Houston Texas Fire Fighters Federal Credit Union** expressed his appreciation to the Commissioner for keeping the Commission informed about activities that are being taken and communicating such to all credit unions.
- ❖ **Commission Member David F. Shurtz, Chief Risk Officer/General Counsel of EECU** added by thanking Commissioner Kolhoff for allowing credit unions adjust their annual meetings to virtual with an easy to follow bylaw amendment which obviously impacts our credit union and the members on the annual meeting side.
- ❖ **Commission Chairman Yusuf Farran** acknowledged that Commissioner Kolhoff has done a great job and is very happy to have him on board by taking care of the Commission and keeping us informed and showing true leadership.

❖ **Melodie Durst, Executive Director, Credit Union Coalition of Texas** expressed her appreciation on behalf of the coalition members for the extensive communication and open-door policy that Commissioner Kolhoff and staff have extended. Furthermore, Mrs. Durst reported that the feedback from our credit unions has been on point and timely and very much appreciated.

❖ **Caroline Willard, Executive Director, Cornerstone Credit Union League** expressed her gratitude on behalf of the Cornerstone Credit Union League and members to Commissioner Kolhoff for being extremely responsive and communicative which has helped quite a bit during this crisis.

Commissioner Kolhoff thanked the Department staff and recognized both the coalition and the league for all their hard work in these trying times.

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

D. DEPARTMENT'S FY 2020 FINANCIAL PERFORMANCE –

Commissioner Kolhoff reported that at the end of the 2nd Quarter FY 2020 total expenditures were \$229,353, which was 10% below our budgeted projections. All payments have been received for the second billing of operating fees, which was discounted \$215,092 in aggregate from the original approved budget.

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

E. DEPARTMENT'S STRATEGIC PLAN FOR FISCAL YEARS 2021-

2025 – Commissioner Kolhoff reported that there are no significant changes to the previous plan. Mr. Kolhoff highlighted the agency's four strategic goals and

supporting strategic objectives which reflects the outcome or greater impact of the broader strategic goals:

- (1) Ensure a safe and sound state credit union system in Texas;
- (2) Provide a flexible regulatory framework that enables credit unions to provide a full competitive array of financial services;
- (3) Safeguard the interest of credit union members; and
- (4) Develop a professional and motivated staff that provides quality service to the citizens of Texas and supports achievement of the Department's statutory mission.

After a short discussion, Mr. Shurtz moved that the Commission approve and authorize the submission of the Department's Strategic Plan for FY 2021-2025. Mr. Minge seconded the motion, and the motion was unanimously adopted.

F. DEPARTMENT'S GENERAL BUDGET ASSUMPTIONS AND PARAMETERS FY 2021 BUDGET – Commissioner Kolhoff reported that according to the Finance Code, Section 16.003 gives the Commission the exclusive responsibility for approving the Department's budget each year. Since the budget must be adopted at the July meeting, staff is seeking approval of guidelines for developing the FY 2021 budget to present at the July meeting.

After a short discussion, Mrs. Merket moved that the Commission adopt the budget assumptions and parameters for FY 2021 as recommended by staff. Mr. Gilman seconded the motion, and the motion was unanimously adopted.

G. STATE CREDIT UNION SYSTEM – Commissioner Kolhoff indicated that the numbers presented in this packet are from the last financial numbers that are available. We are currently waiting for the March 31st numbers due to the call report deadline being extended. Mr. Kolhoff reported that credit unions remained sound

overall with few institutions facing modest to minor regulatory concerns. Overall, credit unions are well capitalized and continue to maintain strong earnings performance. Delinquencies for the industry continued to show declines in the third quarter 2019 to very modest levels, with charge-offs numbers indicating stable levels over the last several years.

❖ **Commission Member David F. Shurtz, Chief Risk Officer/General Counsel of EECU** shared with the commission who are public members and who do not necessarily see the inner workings of a credit union on a daily basis, the credit unions have stepped up to help the members at this time in need from loan modifications to deferrals to waiving certain fees to forbearances. We should be very proud of our credit unions on what they have been able to do.

❖ **Commission Member Beckie Stockstill-Cobb** expressed her sincere thank you to the credit unions across the State of Texas.

After a brief discussion, the commission took no formal action.

H. SUNSET REVIEW – Commission Kolhoff reported that on April 13th the Sunset Commission staff formally presented to the Department a presentation of the Sunset review process. On the same day, the Department provided an orientation presentation to the Sunset Commission staff and Sunset Commission Member staff who wished to attend. Both agencies agreed to conduct the sunset review remotely, to mitigate COVID-19 related risks and all information and/or meetings are being conducted digitally. Data requests from the Sunset Commission staff began the week of April 20th and interviews of the Department personnel began April 23rd. Interviews with the Department are expected to be completed on or around May 1st.

After a short discussion, the commission took no formal action.

I. RULEMAKING MATTERS

(a) **Amendments to 7 TAC Section 91.708 Concerning Real Estate Appraisals or Evaluations.** Commissioner Kolhoff indicated that the proposed amendments reflect the National Credit Union Administration Rules and Regulations Part 722 (12 CFR Part 722) to align with requirements of other depository financial services providers. The amended language increases the threshold at which licensed appraisals are required when underwriting consumer real estate loans. This language requires consumer real estate loans at or exceeding \$400,000 to have an appraisal conducted by a state licensed appraiser, an increase from the current \$250,000 limit. Furthermore, the proposed amendment is necessary to maintain competitiveness with the federal credit union charter, and update credit union rules to the same standard applied to federal and state banking industries.

After a brief discussion, Mrs. Brownlee moved that the Commission approve for publication and comment in the *Texas Register* the proposed amendments to **7 TAC Section 91.708**. Mrs. Cobb seconded the motion, and the motion was unanimously adopted.

(b) **Adoption of Amendments to 7 TAC Section 91.6001 Concerning Fiduciary Duties.** Commissioner Kolhoff reported that its February meeting the Commission approved for publication and comment in the *Texas Register* the proposed amendments to Rule 91.6001. The amended rule represents only minor grammatical changes and do not change the meaning of the rule. No comments were received on the proposed amendments to the rule.

After a short discussion, Mrs. Merket moved that the Commission adopt the proposed amendments to **7 TAC Section 91.6001** without changes to the proposed

text as published in the *Texas Register*. Mrs. Cobb seconded the motion, and motion was unanimously adopted.

(c) Adoption of Amendments to 7 TAC Section 91.6003 Concerning Notice Requirements. Commissioner Kolhoff noted that at its February meeting the Commission approved for publication and comment in the *Texas Register* the proposed amendments to Rule 91.6003. The amended rule consists of grammatical changes, clarifies that a credit union must identify the address where it proposes to conduct fiduciary duties, and removes language that established a phased-in notification requirement for fiduciary activity prior to October 1, 2003, as the phase-in provision no longer is needed. The amendments do not change the meaning of the rule. No comments were received on the proposed amendments to the rule.

After a brief discussion, Mrs. Bayless moved that the Commission adopt the proposed amendments to **7 TAC Section 91.6003** without changes to the proposed text as published in the *Texas Register*. Mr. Minge seconded the motion, and motion was unanimously adopted.

(d) Adoption of Amendments to 7 TAC Section 91.6004 Concerning Exercise of Fiduciary Powers. Commissioner Kolhoff pointed out that at its February meeting the Commission approved for publication and comment in the *Texas Register* the proposed amendments to Rule 91.6004. The amended rule represents a change in terminology to using a credit union's "net worth position", instead of the current term "capital", as a factor the commissioner considers in determining if a credit union's notice of its intent to exercise fiduciary powers is complete and accepted for filing. No comments were received on the proposed amendments to the rule.

After a short discussion, Mr. Gilman moved that the Commission adopt the proposed amendments to **7 TAC Section 91.6004** without changes to the proposed text as published in the *Texas Register*. Mrs. Merket seconded the motion, and motion was unanimously adopted.

(e) Adoption of Amendments to 7 TAC Section 91.6006 Concerning Policies and Procedures. Commissioner Kolhoff stated that at its February meeting the Commission approved for publication and comment in the *Texas Register* the proposed amendments to Rule 91.6006. The amended rule includes minor grammatical changes and requires a credit union to adopt appropriate certain policies and procedures, when it exercises trust powers, based on the type of trust activity conducted.

After a brief discussion, Mr. Shurtz moved that the Commission adopt the proposed amendments to **7 TAC Section 91.6006** without changes to the proposed text as published in the *Texas Register*. Mrs. Merket seconded the motion, and motion was unanimously adopted.

(f) Adoption of Amendments to 7 TAC Section 91.6010 Concerning Custody of Fiduciary Assets. Commissioner Kolhoff reported that at its February meeting the Commission approved for publication and comment in the *Texas Register* the proposed amendments to Rule 91.6010. The amended rule includes only minor grammatical changes that do not change the meaning of the rule. No comments were received on the proposed amendments to the rule.

After a short discussion, Mrs. Brownlee moved that the Commission adopt the proposed amendments to **7 TAC Section 91.6010** without changes to the proposed text as published in the *Texas Register*. Mrs. Bayless seconded the motion, and motion was unanimously adopted.

(g) Adoption of Amendments to 7 TAC Section 91.6014 Concerning Errors and Omissions Insurance. Commissioner Kolhoff related that at its February meeting the Commission approved for publication and comment in the *Texas Register* the proposed amendments to Rule 91.6014. The amended rule requires insurance reviews annually with supporting documentation to ensure coverage appropriateness while maintaining a minimum \$500,000 coverage floor. No comments were received on the proposed amendments to the rule.

After a short discussion, Mr. Gilman moved that the Commission adopt the proposed amendments to **7 TAC Section 91.6014** without changes to the proposed text as published in the *Texas Register*. Mrs. Swan seconded the motion, and motion was unanimously adopted.

(h) Adoption of Amendments to 7 TAC Section 91.1003 Concerning Merger/Consolidations. Commissioner Kolhoff conveyed that at its February meeting the Commission approved for publication and comment in the *Texas Register* the proposed amendments to Rule 91.1003. The amended rule refers institutions directly to the federal Hart-Scott Rodino Act and its specific requirements instead of duplicating all, or part of the federal provisions, within the state rule. No comments were received on the proposed amendments to the rule.

After a brief discussion, Mr. Minge moved that the Commission adopt the proposed amendments to **7 TAC Section 91.1003** without changes to the proposed text as published in the *Texas Register*. Mrs. Cobb seconded the motion, and motion was unanimously adopted.

(i) Adoption of the Rule Review of 7 TAC, Part 6, Chapter 91, Subchapter P (Other Forms of Equity Capital), Section 91.7000, and Readoption of Rule. Commissioner Kolhoff reported that Section 2001.039, Government Code, requires

that a state agency review and consider for re-adoption each rule not later than the fourth anniversary of the date on which the rule took effect and every four years after that date. At its July 2016 meeting, the Commission approved a plan which establishes a date for the required review of each of the affected rules. In accordance with that plan, staff has reviewed 7 TAC, Part 6, Chapter 91, Subchapter P (Other Forms of Equity Capital) and is recommending that no changes be made. No comments were received regarding the review.

After a short discussion, Mrs. Merket moved that the Commission find that the reasons for adopting **7 TAC, Part 6, Section 91.7000** continues to exist and that the Commission re-adopt this rule. Mr. Shurtz seconded the motion, and the motion was unanimously adopted.

(j) Adoption of the Rule Review of 7 TAC, Part 6, Chapter 91, Subchapter Q (Access to Confidential Information), Section 91.8000, and Re-adoption of Rule. Commissioner Kolhoff indicated that Section 2001.039, Government Code, requires that a state agency review and consider for re-adoption each rule not later than the fourth anniversary of the date on which the rule took effect and every four years after that date. At its July 2016 meeting, the Commission approved a plan which establishes a date for the required review of each of the affected rules. In accordance with that plan, staff has reviewed 7 TAC, Part 6, Chapter 91, Subchapter Q (Access to Confidential Information) and is recommending that no changes be made. No comments were received regarding the review.

After a brief discussion, Mrs. Brownlee moved that the Commission find that the reasons for adopting **7 TAC, Part 6, Section 91.8000** continues to exist and that the Commission re-adopt this rule. Mrs. Cobb seconded the motion, and the motion was unanimously adopted.

J. Future Commission Meetings: Agenda Items, Arrangement, and Dates.

Chair Farran reminded everyone that the next regular meeting of the Commission has been tentatively scheduled for August 7, 2020 at 9:00 a.m., in Austin.

ADJOURNMENT – There being no further business for the Credit Union Commission, Chair Farran adjourned the meeting at 10:30 a.m.

Yusuf E. Farran
Chairman

Isabel Velasquez
Recording Secretary

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