

CREDIT UNION COMMISSION MEETING MINUTES
Credit Union Department Building
(Via video/teleconference only)
914 East Anderson Lane, Austin, Texas
November 6, 2020

A. CALL TO ORDER -- Chair Yusuf Farran called the meeting to order at 9:06 a.m. via video/teleconference, pursuant to Chapter 551 of the Government Code, and declared that a quorum was present. Other members present included, Karyn Brownlee, Beckie Stockstill Cobb, Steven “Steve” Gilman, Sherri Merket, David Shurtz, and Kay Swan. 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 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 (**October 22, 2020 TRD#2020006137**).

- ❖ **RECEIVE REQUESTS AND MOTIONS FOR EXCUSED ABSENCES –** Chair Farran inquired if there were any requests or motions to excuse an absence. Mrs. Merket moved to excuse Commission Member Jim Minge from the Commission meeting on November 6, 2020. Mrs. Cobb seconded the motion, and the motion was unanimously adopted.
- ❖ **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 (August 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. Mrs. Brownlee moved for approval of the minutes of August 7, 2020 as presented. Mrs. Bayless seconded the motion, and the commission carried the motion unanimously.

C. DEPARTMENT'S ACTIVITIES RELATED TO COVID-19 --

Commissioner Kolhoff reported that things had started to slow down on the COVID-19 side, and we were seeing progress. Among other states and the state of Texas have started opening; unfortunately, the last three to four weeks we have seen somewhat of a resurgence, particularly in the last week or so. Credit unions have had to close their branches back down again because of potential of real exposure of their branches. The fortunate thing is most of the credit unions were still operating lobby hours on a limited basis and by appointment. Furthermore, the credit union system continues to work very well with what is going on by providing services through their internet, mobile phone applications and drive thru delivery channels. Overall, credit unions are continuing to meet the needs of the membership despite an increase in cases since this meeting packet was put together for today's meeting.

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 4th Quarter FY 2020 total expenditures were \$547,618, which was 12% below our budgeted projections. Almost all budget lines performed below budgeted levels apart from additional maintenance costs for YTD 2020 and additional benefits totaling approximately \$17,746. Mr. Kolhoff explained that relating to travel costs, our staff has been conducting exams remotely which has cut down on travel expenses. However, while most travel is restricted there have been some required travel to certain institutions when necessary to collect information or address regulatory concerns. In those cases, appropriate precautions are taken by staff.

- ❖ **Commission Member Karyn Brownlee** raised the question of what things had to be done onsite and trusting that appropriate precautions were implemented that could not be done remotely. Mr. Kolhoff responded that a few institutions have had issues requiring our onsite presence to get a clear picture of what was going on including some fraudulent activity that occurred at one institution. We have also encountered institutions that experienced difficulty digitizing their files to be sent through the portal securely.
- ❖ **Commission Chairman Yusuf Farran** raised the question of us being up to date in conducting examinations. Mr. Kolhoff responded that the examiners are conducting examinations all year long even though we are dealing with this pandemic.

A lengthy discussion of the examination and complaint process followed with Mr. Kolhoff responding to several questions.

- ❖ **A member of the public, Melodie Durst, Executive Director, Credit Union Coalition of Texas** shared that the Coalition has received very positive feedback from credit unions regarding the examination process and examiners are doing a good job.

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

E. POLICY CHANGES TO REFLECT CONTINGENCY FUND INCREASE – Commissioner Kolhoff reported that the Commission approved as part of its FY 2021 budget, an increase in several accounts of the Contingency Fund Reserve. The proposed policy changes reflect minor grammatical changes, the deletion of the requirement to acknowledge historic contributions by credit unions found in item VII (d), and the inclusion of those Contingency Fund Reserve changes

into the Credit Union Commission Policy Manual. The funding changes in the policy reflect amounts already approved by the Commission as a strategic initiative funding increase #3 at the August 7, 2020 meeting.

After a short discussion, Mr. Shurtz moved that the Commission approve the Commission Policy Manual to reflect the new funding of additional reserve funds and deletion of the requirement to acknowledge historic credit union achievements found in item VII (d). Mrs. Merket seconded the motion, and the motion was unanimously adopted.

F. CONSIDERATION OF THE REPORT AND RECOMMENDATIONS OF THE COMMISSIONER EVALUATION COMMITTEE RELATED TO THE COMMISSIONER'S FY 2020 PERFORMANCE REVIEW AND FY 2021 REMUNERATION — Mr. Farran announced 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 2021 remuneration. The Commission entered into executive session at 10:11 a.m. and reconvened in open session at 11:21 a.m.

Chairman Farran noted after returning to open session that no action, decision, or vote was made on matters discussed during the executive session.

Commission Member Merket was excused from the meeting at 11:30 am due to a scheduling conflict.

The Chair asked for a motion regarding the Commissioner's FY 2020 performance evaluation. Mrs. Swan moved to approve the FY 2020 Commissioner

Evaluation as recommended by the Commissioner Evaluation Committee. Mr. Shurtz seconded the motion, and the motion was unanimously adopted.

The Chair opened the discussion regarding the Commissioner's FY 2021 performance evaluation form. A short discussion followed regarding the appropriateness of adding some special projects to the Commissioner Evaluation for FY 2021. It was the consensus of the Commission that it is important for the Department in FY 2021 to hire a General Counsel, find a solution to the leaking roof, and bring the restrooms to ADA compliance. Mr. Gilman moved to approve adding the discussed tasks as special projects for FY 2021 evaluation form and to approve adjusting the weighted percentages on the evaluation form to reflect Commission Assessment to 20%, Performance Objectives to 70%, and Special Projects to 10%. Mrs. Cobb seconded the motion, and the motion was unanimously adopted.

The Chair of the Commissioner Evaluation Committee, Mrs. Cobb, made a motion to increase the Commissioner's salary by \$2,500 (to a salary of \$192,500 annually) effective January 1, 2021. The motion was seconded by Mrs. Brownlee and passed on a vote of 6 to 1 with Mr. Farran opposing the motion.

G. STATE CREDIT UNION SYSTEM – Commissioner Kolhoff indicated the information presented in this packet is based on the last financial numbers available and that Mr. Etheridge would proceed with a more detailed report on the state credit union system. Mr. Etheridge reported that many of the credit unions continue to perform well. While some individual credit unions have experienced financial performance deterioration due to the economic downturn associated with the pandemic, the overall performance of the Texas industry has been commendable. The second quarter 2020 earnings performance data for credit unions reflects that satisfactory levels of net income are being achieved to cover operating costs and build net worth levels. However, the biggest challenge for credit unions has been in

controlling asset growth driven primarily by stimulus deposits, to prevent dilution of net worth ratios. The first six months of 2020, the assets of credit unions have grown by 19.95 percent (3 to 4 times the norm), outpacing net worth growth of 5.23 percent. This has resulted in a year-to-date decline in net worth ratios of 6.8 percent. Furthermore, loan delinquencies and charge-offs levels have remained well controlled, as many credit unions have provided loan deferments to their borrowers. Mr. Etheridge expressed the need for the Department to continue work collaboratively with Texas charters to safeguard the financial interests of millions of Texans and work cooperatively with our credit unions in order that they may endure the serious hardships they are and will be facing.

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

H. SUNSET REVIEW – Commissioner Kolhoff reported that the Sunset Advisory Commission staff report was issued August 2020 noting minor issues but recommending continuation of the Department and the Commission as in independent, Self-Directed Semi Independent supervisory agency. The Department agreed to address all the concerns raised by the Sunset staff but did recommend two statutory changes could be address more efficiently through changes within internal management practices instead of statutory changes. The Sunset Advisory Commission Staff report and the Department’s response can be found [\(here\)](#).

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

I. RULEMAKING MATTERS (HOME EQUITY RULES PROPOSAL)

Adoption of Amendments, a New Rule, and a Repeal in 7 TAC, Part 8, Chapter 151, Concerning Home Equity Lending Procedures, and Chapter 153, Concerning Home Equity Lending, Resulting from Rule Review. Commissioner

Kolhoff reported that the Finance Commission and our Commission have completed the rule review of the following chapters of the Texas Administrative Code, Title 7, Part 8, in its entirety. The rule review was conducted under Texas Government Code, §2001.039.

After a short discussion, Mr. Gilman moved that the Commission approve the adoption of the amendments, new rule, and repeal in **7 TAC Chapters 151 and 153**. Mr. Shurtz seconded the motion, and motion was unanimously adopted.

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

Chair Farran reminded everyone that the next regular meeting of the Commission has been tentatively scheduled for March 5, 2021 at 9:00 a.m., in Austin.

ADJOURNMENT – There being no further business for the Credit Union Commission, Chair Farran adjourned the meeting at 12:05 p.m.

Yusuf E. Farran
Chairman

Isabel Velasquez
Recording Secretary

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