



Newsletter

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Credit Union Department

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The Credit Union Department (CUD) is the state agency that regulates and supervises credit unions chartered by the State of Texas. The Department is professionally accredited by the National Association of State Credit Union Supervisors (NASCUS) certifying that CUD maintains the highest standards and practices in state credit union supervision.

*Our **Mission** is to safeguard the public interest, protect the interests of credit union members and promote public confidence in credit unions.*

Credit Union Commission

The Commission is the policy making body for CUD. The Commission is a board of private citizens appointed by and responsible to the Governor of Texas.

Members:

Allyson "Missy" Morrow, Chair
Sherri Brannon Merket, Vice Chair
Elizabeth L. "Liz" Bayless
Beckie Stockstill Cobb
Yusuf E. Farran
Steven "Steve" Gilman
Jim Minge
Kay Stewart
Rick Ybarra

Next Commission Meeting

Friday, March 8, 2019 beginning at 9:00 a.m. in the offices of CUD.

Mergers Involving Federally Insured Credit Unions

On October 1, 2018, certain amendments to NCUA Regulation Part 708b went into effect and with it came several changes to how federally insured credit unions engage in the merger process. Among other things, the revised merger rule:

- Altered the contents and format of the notice to members about a merger of their credit union with another.
- Required merging credit unions to disclose certain "merger-related financial arrangements" for the credit union's chief executive, the four most highly compensated employees other than the CEO; and board members and supervisory committee members.
- Increased the minimum required time for the notice to be sent to members before a merger vote to at least 45 days but no more than 90 days.
- Provided a method for credit union members and others to submit comments to NCUA regarding the proposed merger.

All federally insured credit unions are required to submit their proposed merger application to the NCUA for approval. When the NCUA gives a credit union permission to proceed with its membership vote, the merging credit union must send a copy of its member notice to the NCUA's Office of Credit Union Resources and Expansion at least 15 days before any mailing of the notice to the members.

Additionally, the revised rule requires:

- A merging credit union to submit any respective board minutes to the NCUA that reference the merger during the 24 months prior to the board of directors of the credit unions approving the merger plan; and
- Both the credit unions' presiding board officer and CEO to certify there are no other merger-related financial arrangements other than those disclosed in the notice to the members of the proposed merging credit union.

Alternating Exam Pilot Program

As you may be aware, the National Credit Union Administration (NCUA) and the National Association of State Credit Union Supervisors (NASCUS) recently announced the launching of an Alternating Exam Pilot Program (Pilot Program), beginning January 1, 2019. Six state credit union regulators, including the state of Texas will be participating in the Pilot Program.

The objective of the Pilot Program is to maintain a seamless, risk-focused examination process for federally insured state-chartered credit unions that minimizes supervisory costs and regulatory burden. Furthermore, the program has been developed to enhance exam consistency, coordination, and communication between the NCUA and the Department.

The Pilot Program will be testing three alternating examination concepts nationwide, including the Alternating, Alternating with Limited Participation and Alternating Leads. For Texas credit unions, the Department and the NCUA will be testing the Alternating Lead option. This option means the Department and the NCUA will jointly conduct each examination, but the responsibility for leading, writing and issuing the Report of Examination will alternate between the Department and the NCUA. Thus, the final Report of Examination will be the issuing party's work product. The Pilot Program encompasses three years; therefore, each agency will issue at least one report to the participating credit unions.

There is a total of seventeen Texas state-chartered credit unions which have been chosen to be in the Pilot Program. The Department and the NCUA jointly identified which credit unions would be participating. The Department anticipates sending notifications during the month of December 2018 to those credit unions which have been selected. Please note that the participants have already been selected and other credit unions may not volunteer to participate.

Participants in the Pilot Program will be asked to provide feedback on the experience after each examination. This feedback will be solicited through an interview of the President/CEO by the Lead Examiner, and will be forwarded to the NCUA, the Department and NASCUS for compilation and review.



The Importance of Succession Planning

For the long-term operation and success of any credit union, a management and board succession plan is critical. A succession plan is essential to maintain successful continuity of operations in the event of planned or unplanned changes in key leadership roles, such as the CEO, senior management or board members. The development and periodic revision of a succession plan should be a part of each credit union's strategic plan, with an emphasis on identifying and developing internal staff with the potential for assuming key leadership positions at a future date. Additionally, a succession plan should recognize any positions where internal staff may not possess the requisite skills, and/or an outside search is required to locate the most qualified talent. Also, board succession planning is important in order that board oversight of operations and board/management relationships remains sound as board members discontinue their service to the credit union. It is vital that qualified, potential board members are developed to replace retiring board members, by appointing honorary, associate or youth directors, or developing credit union committee members.

The Importance of Succession Planning (Continued)

Although the breadth and depth of an effective succession plan is largely dependent on the size, complexity and array of member services offered by the credit union, sound succession planning can be essential to the future leadership of the credit union. Proper planning may provide the board of directors and management with the opportunity to recruit top quality employees and board members. develop their knowledge, skills and abilities, and prepare them for advancement or promotion into leadership positions.

Lastly, the effectiveness of any succession plan requires the establishment of processes for the periodic review and assessment of the plan. As credit unions grow in both size and complexity, key leadership roles may change and new skills may need to be developed or acquired. Some guidance on succession planning can be found on You Tube's NCUA Channel. A link to NCUA's video training for Succession Planning is available online [here](#).



Upcoming Holiday Schedule for CUD

The Department's office will be closed on December **24-26, 2018** in observance of the Christmas Holidays, and **January 1, 2019** in observance of New Year's Day.



Publication Deadlines

In order to meet the submission deadlines for the applicable issues of the Texas Register, it is necessary for the Department to establish the schedule shown below. Completed applications received after the deadline for the month cannot be published until the following month.

| <u>Publication Date</u> | <u>Application Deadline</u> |
|-------------------------|-----------------------------|
| January 2019 | Friday, January 11 |
| February 2019 | Friday, February 15 |



Applications Approved

Applications approved since **November 15, 2018** include:

| <u>Credit Union</u> | <u>Changes or Groups Added</u> |
|---|--|
| <i>Field of Membership Change – Approved:</i> | |
| City Credit Union (Dallas)—Conditioned | See Newsletter No. 08-18 |



Applications Received

The following application was received and will be published in the **December 28, 2018** issue of the *Texas Register*.

Field of Membership Expansion:

Community Resource Credit Union (Baytown) #1 – Persons who live, work, reside or attend school, and businesses located within the boundaries of Dayton Independent School District.

Community Resource Credit Union (Baytown) #2 – Persons who live, work, reside or attend school, and businesses located within a 10-mile radius of the Community Resource Credit Union offices located at 11001 Eagle Drive, Mont Belvieu, Texas.

Community Resource Credit Union (Baytown) #3 – Persons who live, work, reside or attend school, and businesses located within a 10-mile radius of the Community Resource Credit Union offices located at 8010 N. Highway 146, Baytown, Texas.

Union Square Credit Union (Wichita Falls) #1 – Members of the American Red Cross – North Texas Region who reside within the State of Texas.

Union Square Credit Union (Wichita Falls) #2 – Voting members and employees of the Texas Consumer Council who reside within the State of Texas.

Union Square Credit Union (Wichita Falls) #3 – Members of the American Red Cross – Oklahoma Region who reside within the State of Oklahoma.

United Heritage Credit Union (Austin) #1 – Persons who live, work, worship or attend school in and businesses located in Bell County, Texas.

United Heritage Credit Union (Austin) #2 – Persons who live, work, worship or attend school in and businesses located in Blanco County, Texas.

United Heritage Credit Union (Austin) #3 – Persons who live, work, worship or attend school in and businesses located in Burnet County, Texas.

United Heritage Credit Union (Austin) #4 – Persons who live, work, worship or attend school in and businesses located in Lee County, Texas.

United Heritage Credit Union (Austin) #5 – Persons who live, work, worship or attend school in and businesses located in Milam County, Texas.

United Heritage Credit Union (Austin) #6 – Persons who live, work, worship or attend school in and businesses located in Cherokee County, Texas.

United Heritage Credit Union (Austin) #7 – Persons who live, work, worship or attend school in and businesses located in Gregg County, Texas.

United Heritage Credit Union (Austin) #8 – Persons who live, work, worship or attend school in and businesses located in Henderson County, Texas.

United Heritage Credit Union (Austin) #9 – Persons who live, work, worship or attend school in and businesses located in Rusk County, Texas.

United Heritage Credit Union (Austin) #10 – Persons who live, work, worship or attend school in and businesses located in Upshur County, Texas.

United Heritage Credit Union (Austin) #11 – Persons who live, work, worship or attend school in and businesses located in Van Zandt County, Texas.

Applications Received (Continued)

Articles of Incorporation:

Texas Health Resources Credit Union (Dallas) – The credit union is proposing to change its name to A New Direction Credit Union.

Schlumberger Employees Credit Union (Houston) – The credit union is proposing to change the location of the principal place of business of the credit union to 205 Industrial Blvd., Sugar Land, Texas, 77478-3168.

This newsletter is produced monthly as a part of the Department's continued communication outreach with the credit unions it regulates. Delivery is generally provided by electronic notification of its availability on the Department's website.

Suggestions and comments concerning the newsletter or its content are welcomed.

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To learn more about CUD click <http://www.cud.texas.gov> or contact us at 914 E. Anderson Lane, Austin, TX 78752



The Credit Union Commission and the Staff of the Department would like to extend our best wishes for a New Year of Health, Happiness, and Prosperity!