



# Newsletter

No. 02-19



February 20, 2019



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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.

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## 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.

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## CUSO "Reaffirmation" 60 Day Window Opens

Credit Union Service Organizations (CUSOs) have 60 days, from February 1 to March 31, to complete their annual, required reaffirmations within the NCUA CUSO Registry. Launched in 2016, the CUSO Registry was created to implement the CUSO rule approved by the NCUA Board in November 2013. NCUA's rule states the CUSOs annual reporting requirements must be satisfied prior to any new loan or investment funding by the credit union. A searchable version of the registry is available online.

**Requirements for CUSO registration** were detailed for credit unions in a 2016 NCUA Letter to Credit Unions.

Links:

[NCUA CUSO Registry](#) (login required)

[NCUA CUSO Registry Information](#)

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## Phishing Attack Targets Bank & Credit Union BSA Compliance Officers

As you may now know, a phishing scam targeting BSA compliance officers at credit unions and other financial institutions was reported this week by KrebsOnSecurity. The article originally singled out the attacks on credit unions but was later updated to reflect that attacks targeted bank BSA compliance officers as well. If you have not read the article, you should: <https://krebsonsecurity.com/2019/02/phishers-target-anti-money-laundering-officers-at-u-s-credit-unions/>. The "Krebs" article contains an image of one of the phishing emails to a credit union.

## ***Phishing Attack Targets Bank & Credit Union BSA Compliance Officers (Continued)***

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What made these phishing attacks notable was that they were directed to the BSA officers of credit unions and banks by name. The phishing emails purported to be from named BSA officers at other financial institutions. The emails informed the recipient BSA officer that a suspicious transaction by one their customers had been put on hold by the “sending” institution and asked the recipient to open an attached PDF to review the frozen transaction. The body of the PDF contained a link to a malicious website.

That the phishing emails targeted BSA officers by name has led to conjecture that the fraudsters obtained names and email addresses by accessing a federal regulatory database. As of Friday, NCUA had issued a statement stating that an internal review found no breach of its BSA data. See <https://www.ncua.gov/newsroom/press-release/2019/ncua-review-finds-no-bank-secrecy-act-data-breach>.

The Financial Crimes Enforcement Network (FinCEN) posted the following message on its secure information sharing portal (<https://www.fincen.gov/314a/Login>):

1. Hovering over the sender in the email to verify the sending address;
2. Being alert for misspellings and grammatical errors;
3. Verify sender before opening attachments and clicking on links; and
4. Using the phone to verify the sender is legitimate.

We will keep you abreast of further developments on this issue.

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## ***Human Trafficking Prevention Month Ends But Our Commitment Remains***

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On January 3<sup>rd</sup>, 2019 Governor Abbott [proclaimed](#) January as Human Trafficking Prevention Month and asked all Texans to assist to end this atrocity.

The Child Sex Trafficking Team (CSTT) within the Office of the Governor was created to work toward ending minor sex trafficking and aiding its victims. CSTT has implemented several statewide initiatives to protect children from sexual exploitation, educate the public on how to recognize signs of this crime, assist in victim recovery while restoring their well-being, and bringing those who perpetrate this crime to justice. Additional information can be found at the links below.

Given their involvement in the financial services industry, credit unions are well placed to help identify and report potential crimes or abuses of members. The Governor and I ask that you and your staff join us in working to alleviate this terrible crime. If you or your staff notice signs of possible exploitation of a child, please reach out to the National Human Trafficking Hotline at 1-888-373-7888 (24 hours a day). If you believe a child is in immediate danger, please call 911 immediately.

<https://gov.texas.gov/cstt>

<https://www.texasattorneygeneral.gov/initiatives/human-trafficking>

<https://polarisproject.org/human-trafficking-and-financial-services-industry>

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## ***Operating Fee***

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The invoices for the second installment of the Operating Fee for Fiscal Year 2019 will be mailed to credit unions on or about the week of February 25<sup>th</sup>. The assessment must be received on or before **March 30, 2019** to avoid the payment of any penalties. If you do not receive an invoice, please contact Isabel Velasquez at (512) 837-9236.



## ***Notice of Regular Commission Meeting***

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The Credit Union Commission will hold its regular meeting on **Friday, March 8, 2019, at 9:00 am**, in the Department's conference room. The meeting packet will be available on the CUD website by February 25.



## ***Has Your Credit Union Begun Preparing for CECL?***

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The method of calculation for the Allowance for Loan and Lease Losses (ALLL) will change soon and expected losses will need to be incorporated into your ALLL. A chief criticism of the existing ALLL model is that it relies too heavily on outdated information; institutions recognize credit losses only once they are considered "probable" instead of when they are first identified. The dangers with this delay were exposed during the financial crisis, when reserves were insufficient to cover institutions' losses.

The Financial Accounting Standards Board (FASB) has issued final guidance on their Current Expected Credit Loss (CECL) model and beginning in 2022 credit unions will need to comply with CECL. The FASB CECL model suggests forward-look analysis and looks at the life of the loan, rather than just one year. The objective would be for institutions to account for and therefore reserve for losses based on "potential" loss estimates.

All of this information and impending changes to the ALLL begs the question –what can a credit union do now to prepare? An effective way to prepare for CECL is to be proactive by gathering loan-level data for the portfolio. This includes collecting and storing data such as a loan balance, segmentation for the loan, risk rating, charge-offs and recoveries associated with the loan (partial and full), as well as loan duration. This data may not be needed immediately but building up a solid history of detailed data will give credit unions the flexibility and resources to adjust their models as needed.

Credit unions are encouraged to establish a current expected credit losses (CECL) working group to assess the methodology to use; assess systems/data availability; and establish a compliance plan and timeline. Also, based on this assessment, begin gathering and storing required charge-off data in anticipation of CECL implementation.

NCUA Letters to Credit Unions 17-CU-05 addresses frequently asked questions on CECL. This letter can be accessed on line [here](#).



## ***Your Feedback Matters***

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The Department believes the quality of our agency improves, when we listen to what you have to say. Your input – whether it is a compliment, suggestion, concern, or complaint – is valuable to our continued success. We, therefore, encourage credit unions to use the [form](#) available on our website to comment on something the Department is doing well – or could improve upon.



## ***Publication Deadlines***

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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.

| <b><u>Publication Date</u></b> | <b><u>Application Deadline</u></b> |
|--------------------------------|------------------------------------|
| March 2019                     | Friday, March 15                   |
| April 2019                     | Friday, April 12                   |



## ***Applications Approved***

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Applications approved since **January 16, 2019** include:

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| <b><u>Credit Union</u></b>                | <b><u>Changes or Groups Added</u></b>    |
|-------------------------------------------|------------------------------------------|
| Field of Membership – Approved:           |                                          |
| <b>United Heritage CU (Austin)</b>        | <a href="#">See Newsletter No. 11-18</a> |
| <b>United Heritage CU #1 (Austin)</b>     | <a href="#">See Newsletter No. 12-18</a> |
| <b>United Heritage CU #2 (Austin)</b>     | <a href="#">See Newsletter No. 12-18</a> |
| <b>United Heritage CU #3 (Austin)</b>     | <a href="#">See Newsletter No. 12-18</a> |
| <b>United Heritage CU #4 (Austin)</b>     | <a href="#">See Newsletter No. 12-18</a> |
| <b>United Heritage CU #5 (Austin)</b>     | <a href="#">See Newsletter No. 12-18</a> |
| <b>United Heritage CU #6 (Austin)</b>     | <a href="#">See Newsletter No. 12-18</a> |
| <b>United Heritage CU #7 (Austin)</b>     | <a href="#">See Newsletter No. 12-18</a> |
| <b>United Heritage CU #8 (Austin)</b>     | <a href="#">See Newsletter No. 12-18</a> |
| <b>United Heritage CU #9 (Austin)</b>     | <a href="#">See Newsletter No. 12-18</a> |
| <b>United Heritage CU #10 (Austin)</b>    | <a href="#">See Newsletter No. 12-18</a> |
| <b>United Heritage CU #11 (Austin)</b>    | <a href="#">See Newsletter No. 12-18</a> |
| <b>Union Square CU #1 (Wichita Falls)</b> | <a href="#">See Newsletter No. 12-18</a> |
| <b>Union Square CU #2 (Wichita Falls)</b> | <a href="#">See Newsletter No. 12-18</a> |

## ***Applications Approved (Continued):***

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### Credit Union

### Changes or Groups Added

Union Square CU #3 (Wichita Falls)

[See Newsletter No. 12-18](#)

Merger or Consolidation – Approved:

**Kingsville Area Educators Federal CU** (Kingsville) and **Coastal Community and Teachers CU** (Corpus Christi)

[See Newsletter No. 10-18](#)

Articles of Incorporation – Approved:

**Texas Health Resources CU** (Dallas)  
**Schlumberger Employees CU** (Sugar Land)

[See Newsletter No. 12-18](#)

[See Newsletter No. 12-18](#)



## ***Applications Received***

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The following application was received and will be published in the **March 1, 2019** issue of the *Texas Register*.

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Field of Membership Expansion:

**Mobility Credit Union** (Irving) – Persons who live, worship, attend school or work in Denton County, Texas.

**First Priority Credit Union** (Abilene) – Persons who live, work, worship, or attend school in Taylor, Nolan, Callahan, Eastland, Fisher, Jones, Shackelford, Runnels and Coleman Counties, Texas.

Merger or Consolidation:

An application was received from **East Texas Professional Credit Union** (Longview) seeking approval to merge with **S.W.E. Federal Credit Union** (Laird Hill), with East Texas Professional Credit Union being the surviving credit union.



*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.*



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