



Newsletter

No. 07-19



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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, November 1, 2019 beginning at 9:00 a.m. in the offices of CUD.

NASCUS State System Summit

Join Commissioner Kolhoff at the NASCUS Summit which is quickly approaching (August 13-16) in San Francisco. The Summit is the only national meeting focusing exclusively on the state credit union system. This national meeting brings together state credit union regulators and industry policy makers from around the nation for mutual exchange and dialog. [Click here for hotel, registration, and agenda information.](#)

This year's planned talking points include the state of the state credit union charter and how it should evolve, implications of providing financial services to the hemp industry, compliance updates, NACUSO's Next Big Idea Winner and FINTECH implications, communicating in crisis scenarios, the credit union officials and regulators role in responding to harassment claims and the #MeToo movement, interstate branching, developing an ERM focused culture, cybersecurity and legislative issues impacting the state charter. NCUA Chair Rodney Hood is also scheduled to speak on his views of the credit union system and its future.



5300 June 2019 Call Report Cycle

The 5300 Call Report, with credit union profile updates must be successfully submitted by **Sunday, July 28, 2019, 11:59:59 p.m., EDT** to avoid paying civil money penalties. NCUA will send email reminders before the deadline to credit unions with outstanding call reports. If after attempting submission you receive such an email, please log in to the Credit Union Online immediately, resubmit your call report, and look for the NCUA's confirmation to limit the fine.



Supplemental Capital Proposed Rule Should be Issued, NASCUS Letter Advises

Supplemental capital for complex and low-income designated credit unions should be the subject of a proposed rule by the agency soon, particularly as the deadline for implementation of another key capital rule approaches at the beginning of next year, NASCUS wrote to NCUA in June.

NASCUS, in a letter, offered comments to the agency on several key areas among nearly three dozen rules that NCUA listed in its regulatory review notice earlier this year. The review looks at one-third of the agency's rules at a time.

The NASCUS comments also addressed better organization of agency rules to clarify their impact on state credit unions, regulations for loans and lines of credit (and their place in agency regulations), rules for corporate credit unions, and state predominance in rules affecting mergers and conversions of state credit unions (see following item for more).

Regarding supplemental capital, NASCUS noted that with the new risk-based capital (RBC) rule scheduled to become effective at the beginning of next year, the agency should publish a proposed supplemental capital rule for complex and low-income designated credit unions. "In designing a supplemental capital framework for the risk-based capital rule, NCUA should focus on allowing subordinated debt instruments and design the framework in anticipation of eventual statutory changes to credit union capital requirements," NASCUS wrote.

The association has long advocated for supplemental capital to be counted as regulatory capital (through legislative means, or through regulatory means as in rules outlining risk-based capital at credit unions). Alternative capital, NASCUS argues, would improve the safety and soundness of the credit union system and add additional protection for the National Credit Union Share Insurance Fund (NCUSIF). Some states already allow their credit unions to build capital through alternative means, but under current federal regulations (and law outside of risk-based capital) that capital cannot be counted toward their capital requirements.

NASCUS pointed out that as long ago as November 2015, NCUA assured Congress that "as part of modernizing NCUA's risk-based capital rule, the NCUA Board was unanimous in its commitment to move forward with a separate rulemaking to allow supplemental capital to be counted toward the risk-based capital ratio. The effective date of this proposed change would coincide with implementation of NCUA's modernized risk-based capital rule scheduled for January 1, 2019." That date was later moved to Jan. 1, 2020.

In addition to risk-based capital, NCUA has also communicated its intention to re-visit the regulatory framework related to secondary capital for low-income designated credit unions, NASCUS pointed out in its letter. "NASCUS commends NCUA for this initiative and recommends that secondary capital rules incorporate concepts related to subordinated debt and supplementary capital," NASCUS wrote.

In 2017, the agency issued an advanced notice of proposed rulemaking (ANPR) on the subject of supplemental capital. Recently, the agency has signaled it is preparing a proposed rule on the topic (see link item). [LINK: NASCUS Comments: Regulatory Review \(2019\)](#).



Malware

The internet offers access to a world of products and services, entertainment and information. At the same time, it creates opportunities for scammers, hackers, and identity thieves to use malware to steal personal information, send spam, and commit fraud. It is important that your employees and members know how to protect their computer and critical, valuable information from intrusion. Human error is often the cause of malware, as scam artists try to trick people into clicking on links that will download viruses, spyware, and other unwanted software.

Some of the ways to reduce your risk of downloading malware include:

- Educate your employees and members on safe computing. Discuss online actions that can put the computer at risk, such as clicking on pop-ups, downloading "free" games or programs, opening chain emails, or posting personal information.
- Install security software. Set your security software, internet browser, and operating system to update automatically.
- Pay attention to your browser's security warnings. Many browsers come with built-in security scanners that warn you before you visit an infected webpage or download a malicious file.
- Don't directly click on a link in an email. Instead, type the URL of a trusted site directly into your browser. Criminals send emails that appear to be from companies you know and trust. The links may look legitimate but clicking on them could download malware or send you to a scam site.
- Don't open attachments in emails unless you know who sent it and what it is. Opening the wrong attachment — even if it seems to be from friends or family — can install malware on your computer.
- Scan USBs and other external devices before using them. These devices can be infected with malware, especially if you use them in high traffic places, like photo printing stations or public computers.
- Back up your data regularly. Back up any data that you'd want to keep in case your computer crashes.

The Federal Trade Commission (FTC) provides useful consumer information on avoiding, detecting and getting rid of malware. The link is provided [here](#).

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## ***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.

| <u>Publication Date</u> | <u>Application Deadline</u> |
|-------------------------|-----------------------------|
| August 2019             | Friday, August 16           |
| September 2019          | Friday, September 13        |



## ***Applications Approved***

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Applications approved since **June 19, 2019** include:

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| <u>Credit Union</u>                           | <u>Changes or Groups Added</u>           |
|-----------------------------------------------|------------------------------------------|
| Field of Membership – Approved:               |                                          |
| <b>Texas Trust CU</b> (Mansfield)             | <a href="#">See Newsletter No. 04-19</a> |
| <b>First Priority CU (Modified)</b> (Abilene) | <a href="#">See Newsletter No. 02-19</a> |
| <b>Mobility CU</b> (Irving)                   | <a href="#">See Newsletter No. 05-19</a> |
| Out of State Branch Office – Approved:        |                                          |
| <b>Eastman Credit Union</b> (Longview)        | <a href="#">See Newsletter No 05-19</a>  |



## ***Applications Received***

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The following application was received and will be published in the **July 26, 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 Rockwall and Kaufman Counties, Texas.

Merger or Consolidation:

An application was received from **Plus4 Credit Union** (Houston) seeking approval to merge with **Martin Luther King Credit Union** (Houston), with Plus4 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

