



# Newsletter

No. 11-19



November 20, 2019



## Credit Union Department

914 East Anderson Lane  
Austin, Texas 78752

Phone: 512-837-9236

Fax: 512-832-0278

Email: [info@cud.texas.gov](mailto:info@ cud.texas.gov)

Web Site: [www.cud.texas.gov](http://www.cud.texas.gov)

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:

Yusuf E. Farran, Chair  
Sherri Brannon Merket, Vice Chair  
Elizabeth L. "Liz" Bayless  
Karyn C. Brownlee  
Beckie Stockstill Cobb  
Steven "Steve" Gilman  
Jim Minge  
David F. Shurtz  
Kay Rankin-Swan

## Next Commission Meeting

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

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## Agencies Propose Credit Loss Policy Statement for Comment

A proposed interagency policy statement in response to the CECL accounting standard and addressing allowance for credit losses (ACLs) at financial institutions, was issued this week by NCUA and the federal banking agencies.

**In the joint proposal**, the agencies describe the CECL methodology for determining ACLs at the institutions they supervise that are applicable to financial assets measured at amortized cost, including loans held-for-investment, net investments in leases, held-to-maturity (HTM) debt securities, and certain off-balance-sheet credit exposures

**The proposed policy** statement – issued by NCUA with the Federal Reserve, the FDIC and the OCC -- also includes and updates "concepts and practices" detailed in existing allowance for loan and lease losses (ALLLs) at their institutions that, the statement says, remain relevant under the new accounting standard.

"**These concepts** and practices relate to management's responsibilities for the allowance estimation process, including the need to appropriately support and document the institution's allowance estimates; the board of directors' responsibilities for overseeing management's processes; and the role of examiners in reviewing the appropriateness of an institution's ACLs as part of their supervisory activities," the proposal states.

**The agencies want** comment (due in 60 days after publication) on four areas of the proposed policy statement:

- Does it clearly describe measurement of expected credit losses under the new CECL standard?
- Is it clear about the measurement of credit losses on impaired available for sale (AFS) debt securities under the new standard?

## ***Agencies Propose Credit Loss Policy Statement for Comment (Continued)***

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- Does it clearly communicate supervisory expectations for “for designing, documenting, and validating expected credit loss estimation processes, internal controls over ACLs, and maintaining appropriate ACLs?”
- Does it “appropriately” include concepts and practices detailed in existing ALLL policy statements that are relevant under the new accounting standard?

The agencies also noted that the policy guidance will only take effect for financial institutions upon the effective date of the accounting standard for individual institutions. For example, for credit unions, the standard (with the new effective date about to be set by FASB) would take effect in 2023 (for fiscal years starting after Dec. 15, 2022).

**LINK:**

[Interagency Policy Statement on Allowances for Credit Losses](#)

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## ***Top Complaint Categories for Fiscal Year 2019***

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As credit unions continue to serve more members and grow in asset size, complaints also tend to increase. For fiscal year 2019 there were 363 complaints received by the Department, compared to 349 for fiscal year 2018. The top complaint categories in fiscal year 2019 were:

- Credit Report Issues – 24.5%
- Account/Loan Balances – 10.7%
- Customer Service – 10.5%
- Fraud/Unauthorized – 9.1%
- Fee Related – 7.2%

Other frequent complaints relate to collection activity, electronic funds transfers, holds on checks/accounts, account closed/frozen, vehicle title issues, billing disputes, and the addition of collateral protection insurance to a loan.

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## ***Board Member Harper Discusses Need for Dedicated Compliance Examinations***

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In a release this week, Board Member Todd Harper said he wants the agency to bring on the three staff positions for the program, in connection with the agency’s 2020-21 budget consideration. Those employees, according to Harper, would develop and later launch a dedicated consumer compliance examination program for large, complex credit unions. He indicated the program is necessary because the profile of the credit unions the agency supervises and insures has changed over time.

**LINK:**

[NCUA release: Harper Calls for Dedicated Consumer Compliance Exams of Large Credit Unions](#)

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## ***Proposed Rule Review***

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The Texas Credit Union Commission (Commission) will review and consider for re-adoption, revision, or repeal, Chapter 91, §§**91.301**, (Field of Membership), **91.302** (Election or Other Membership Vote by Electronic Balloting, Early Voting, Absentee Voting, or Mail Balloting), **91.310** (Annual Report to Membership), and **91.315** (Members' Access to Credit Union Documents).

The Commission will also review and consider for re-adoption, revision, or repeal, Chapter 91, §§**91.6001** (Fiduciary Duties), **91.6002** (Fiduciary Capacities), **91.6003** (Notice Requirements), **91.6004** (Fiduciary Powers), **91.6005** (Exemption from Notice), **91.6006** (Policies and Procedures), **91.6007** (Review of Fiduciary Accounts), **91.6008** (Recordkeeping), **91.6009** (Audit), **91.6010** (Custody of Fiduciary Assets), **91.6011** (Trust Funds), **91.6012** (Compensation, Gifts, and Bequests), **91.6013** (Bond Coverage), **91.6014** (Errors and Omissions Insurance), and **91.6015** (Litigation File).

An assessment will be made by the Commission as to whether the reasons for adopting or readopting these rules continue to exist. Each rule will be reviewed to determine whether it is obsolete, whether the rule reflects current legal and policy considerations, and whether the rule reflects current procedures of the Credit Union Department.

The Commission also invites your comments on how to make these rules easier to understand. For example:

- Do the rules organize the material to suit your needs? If not, how could the material be better organized?
- Do the rules clearly state the requirements? If not, how could the rule be more clearly stated?
- Do the rules contain technical language or jargon that is not clear? If so, what language requires clarification?
- Would a different format (grouping and order of sections, use of headings, paragraphing) make the rule easier to understand? If so, what changes to the format would make the rule easier to understand?
- Would more (but shorter) sections be better in any of the rules? If so, what sections should be changed?

Any proposed changes to these rules as a result of the rule review will be published in the Proposed Rule Section of the *Texas Register*. The proposed rules will be open for public comment prior to the final adoption by the Commission.



## ***NCUA Proposes 2020 OTR Increase; Public Briefing Set for Nov. 20***

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A proposed \$316.2 million operating budget in 2020 will be funded, in part, by an increased overhead transfer rate (OTR) of funds from the federal credit union insurance fund to NCUA's budget. The agency announced its proposed spending plan for next year and a Nov. 20 public hearing on the proposed budget, as required by law.

## ***NCUA Proposes 2020 OTR Increase; Public Briefing Set for Nov. 20 (Continued)***

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The proposed 61.3% OTR was described by NCUA as “modestly higher” than the 2019 rate (which is 60.5%), However, state agencies remain concerned that the overhead transfer rate estimate is expected to rise for the first time in three years (in both 2018 and 2019 the OTR was lower than the previous year; the 2018 rate was 61.5%). NASCUS will continue to engage with NCUA to ensure the higher rate will not place an unjustifiable burden on state-chartered credit unions and plans to provide a presentation at the briefing.

The OTR represents the percentage of the NCUA’s operating budget paid by a transfer of funds from the insurance fund, which is supported by all federally insured credit unions. “Federally insured credit unions are not billed for, and do not have to remit, the OTR amount; instead, it is transferred directly to the Operating Fund from the Share Insurance Fund,” the agency said in its staff memo on the 2020 budget.

The OTR is allocated based on four underlying principles in terms of “insurance-related costs”: Time and costs spent supervising or evaluating risks posed by FISCUs “or other entities the agency does not charter or regulate,” such as third-party vendors and CUSOs (100% insurance related); time and costs related to the NCUA’s role in administering federal share insurance and the insurance fund (100%); time spent examining and supervising FCUs (50%); time and costs related to the agency’s role as charterer and enforcer of consumer protection and other non-insurance based laws governing the operation of credit unions, such as field of membership requirements (0% insurance related).

The agency’s operating budget makes up the lion’s share of the three pieces of the total proposed 2020 NCUA budget of \$347.7 million. The other two pieces are: Capital budget, \$25 million, and; share insurance fund administrative budget, \$6.4 million. The spending plan projects 1,185 employees at the agency; about 73% of the operating budget covers employee pay and benefits.

The Nov. 20 briefing is scheduled to get underway at 10 a.m. In addition, the agency is taking comments on the budget until Dec. 2. Last year’s Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA, S.2155), required the agency to publish its budget proposal in the Federal Register, hold a public hearing, and solicit and consider public comments.

**LINK:**

[2020–2021 Budget Justification: Staff Draft](#)

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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.

<b><u>Publication Date</u></b>	<b><u>Application Deadline</u></b>
December 2019	Friday, December 13
January 2020	Friday, January 10

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## ***Applications Approved***

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

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### Credit Union

### Changes or Groups Added

*Field of Membership Change – Approved:*

**Texell Credit Union** (Temple)

[See Newsletter No. 06-19](#)

**ECU Credit Union** (OSB) (Seminole, Florida)

[See Newsletter No. 09-19](#)

**Premier America Credit Union** (OSB) (Chatsworth, CA)

[See Newsletter No. 09-19](#)

**Mobility Credit Union #1** (Irving)

[See Newsletter No. 09-19](#)

**Mobility Credit Union #2** (Irving)

[See Newsletter No. 09-19](#)

*Merger or Consolidation – Approved:*

**Sugar Growers Federal CU** (Santa Rosa) and **Rio Grande Valley CU**

[See Newsletter No. 04-19](#)



## ***Applications Received***

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The following application was received and will be published in the **November 29, 2019** issue of the *Texas Register*.

Field of Membership Expansion:

**Texell Credit Union** (Temple) – Persons who live, work, worship or attend school in Coryell, County, Texas.



## ***Upcoming Holiday Schedule for CUD***

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The Department's office will be closed on **November 28-29, 2019** in observance of Thanksgiving.

*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

