



Newsletter

No. 09-18



September 19, 2018



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

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

Monday, October 15, 2018 beginning at 9:00 a.m. in the offices of CUD.

Notice of Commission Meeting Rescheduled

The meeting of the Credit Union Commission scheduled for Friday, November 2, 2018, has been rescheduled to Monday, October 15, 2018 at the hour of 9:00 am., at the Department's Office. An agenda with items to be considered will be available on the Department's website on or about, Friday, October 5.



UBIT Provision in New Tax Law

The Internal Revenue Service (IRS) has published Internal Revenue Bulletin 2018-36 to provide interim guidance about the new tax law's impact on unrelated business income tax (UBIT), which state-chartered credit unions are subject to paying.

The Tax Cuts and Jobs Act of 2017 (TCHA) requires a separate computation of UBIT for tax-exempt organizations with more than one unrelated trade or business. Before the new tax law, losses generated by one business could be used to offset income derived from another for organizations operating more than one unrelated trade or business. Under a provision in TCJA (which took effect on January 1, 2018), losses generated by one unrelated trade or business cannot be used to offset income derived from another unrelated trade or business. As a result, any increase in unrelated taxable income may be required to be reported on revised IRS Form 990T. Credit unions are encouraged to talk with an accounting professional to determine the impact of this TCHA provision.



Operating Fee Deadline

All fees must be received on or before September 30, 2018 to avoid the payment of any penalties. If you did not receive an invoice, immediately contact Isabel Velasquez at (512) 837-9236 to provide you with an invoice



September 30 Call Report

The due date for the September 30, 2018 call report is **Sunday, October 28, 2018, 11:59:59 p.m. EDT** to avoid civil money penalties. Your credit union's profile must be reviewed, updated, and certified **prior** to submitting your 5300 Call Report. Always remember that whenever you make a change to the profile, you **must** "save and certify" to permanently save your changes.



Indirect Automobile Lending Programs

The Department has seen a steady increase in indirect auto lending by credit unions the past few years. Like any other vehicle lending program, these programs can benefit the credit union by growing its auto loan portfolio. Indirect lending programs require specialized knowledge and skills to be successful. Therefore, prior to engaging in an indirect automobile lending program, the officials and management of a credit union should ensure that indirect lending activities will be consistent with the credit union's overall business strategies and risk tolerances. Also, adequate due diligence of the dealers involved in the program, in combination with the development and implementation of proper internal controls to monitor the overall performance of these programs, is crucial. Absent adequate internal controls, credit unions may be assuming significant credit risk and exposure to losses that could create safety and soundness implications. Where indirect lending programs exist, our examiners will continue to carefully review the quality of loan underwriting, the overall credit risk of the portfolio, collateral values, title work, internal controls, and the credit union's due diligence of its dealer participants.

Additionally, as interest rates have increased the past few years, the proper pricing of indirect auto loans by credit risk has become increasingly important. In today's competitive indirect auto lending environment, credit unions may be able to earn a comparable or greater yield on a risk-free investment of similar duration. Thus, it is important for officials and management to weigh the risk/reward of indirect loan yields versus investment yields. Without proper asset liability management practices, including reasonable concentration risk limits in place, rapid growth in a competitively priced indirect auto loan program could be detrimental to earnings performance.



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>
October 2018	Friday, October 12
November 2018	Friday, November 16



Applications Approved

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

Credit Union

Changes or Groups Added

Field of Membership Change – Approved:

Texas Dow Employees Credit Union (Lake Jackson)

[See Newsletter No. 06-18](#)

Texell Credit Union (Temple)

[See Newsletter No. 06-18](#)

SPCO Credit Union (Houston)

[See Newsletter No. 06-18](#)

Merger or Consolidation – Approved:

First United Credit Union (Tyler) and **Keystone CU** (Tyler)

[See Newsletter No. 01-18](#)

~~~~~

## Applications Received

---

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

---

Field of Membership Expansion:

**LibertyOne Credit Union** (Dallas) - U.S. Government employees who live in, work in, are paid from, or report to a facility in Dallas County, Tarrant County, Collin County, Denton County, Ellis County, Hood County, Hunt County, Johnson County, Kaufman County, Parker County, Rockwall County, Somervell County or Wise County, Texas, including employees of any on-site contractors who regularly work at U.S. Government facilities located within these counties.

~~~~~

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

