



# Newsletter

No. 09-20



September 16, 2020



## 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.

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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 6, 2020 beginning at 9:00 a.m. in the offices of CUD.

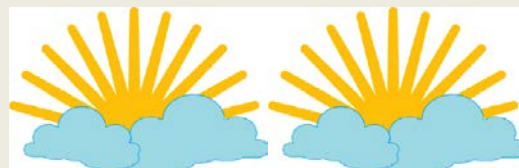
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## Time to Review Risk Management in the Current Pandemic

The early days of the pandemic required credit unions to act quickly to address a unique environment to provide quality services to members and ensure their financial needs were met. Credit unions offered loan extensions/modifications, waived late fees, and offered other relief programs to members affected by the coronavirus. A recent [Credit Union Times article](#) suggests now is a good time to review those early decisions to gauge their effectiveness, see if they are consistent with the credit union's risk tolerance and/or worthy of amendments to the risk management strategy going forward.

Further, now that credit unions have had an opportunity to adjust to the new environment, an updated risk assessment may be in order to identify risk areas that have significantly changed. For example, with high unemployment and members coming off loan extensions/modifications, what level of resources are necessary to identify and manage a potentially higher level of delinquent loans or determine adequate funding of your Allowance for Loan Losses? How much risk can the credit union reasonably digest as it assists its membership without threatening its own safety and soundness?

Boards and operating management are encouraged to review their risk strategies and related policies in relation to the operating environment and their own evolving risk appetites. A well-conceived, agile risk management system is the best way to mitigate the uncertainty of external factors to credit union operations and overall continuing viability. The pandemic, with uncertainty on its full impact on the financial services industries, is one such external factor to be considered.



## **States Stake Claim to Half of all Assets Among U.S. Credit Unions at Mid-Year**

State-chartered credit unions (SCUs) now hold approximately half of all assets in U.S. credit unions, according to mid-year data released last week by NCUA, and figures compiled by NASCUS. According to the figures, SCUs (both federally and privately insured, as reported by American Share Insurance) held \$880 billion of the total \$1.77 trillion held by all U.S. credit unions.

**Since at least** year-end 2018, state credit unions have inched closer to the 50% mark as their growth has matched or exceeded that of federal credit unions. Over the most recent quarter, savers poured money into credit unions in a “flight to safety” as they faced the financial impact of the coronavirus crisis. SCU assets grew at a rate of about three to two over that of federal credit unions (FCU), with states adding \$64.1 billion during the second quarter and federals adding \$46.7 billion.

**Since the end of 2019**, SCU assets have grown 12.6% (with much of that in the second quarter), and FCU assets have increased 10.9%.

**On the membership** side, SCUs now account for just under 60 million (59.7 million) members; and FCUs total 63.9 million. Memberships grew in both the first and second quarters of the year for both charter types, but slowed slightly in the second quarter for both, according to the numbers. Even so, SCUs continued to outpace FCUs in member growth by a rate of five to four.

**The number** of credit unions overall continued to decline. According to the numbers there were 5,274 SCUs and FCUs as of June 30, compared to 5,347 at year-end 2019. Most of the reduction were in FCUs (about 71%). Overall, at midyear, there were 2,042 SCUs and 3,232 FCUs.

**“Clearly members** see their SCUs as sources of strength and safety during the pandemic, as they funnel their excess funds there,” said NASCUS President and CEO Lucy Ito. “Safety and soundness of SCUs no doubt plays a critical role in savers’ minds. But flexible regulation state-by-state must also be a factor as members recognize their credit unions can effectively meet their needs.”

**The NCUA** numbers on federally insured credit unions also showed:

- An overall net worth ratio of 10.46% (down from year-end 2019 of 11.37%); and
- A Return on Average Assets (ROAA) of 0.57% (down from 0.93% at the end of last year).

**The credit union’s** ROAA for mid-year 2020 compares favorably to that of banks, which the FDIC released two weeks ago. Those numbers showed the banks’ ROAA of 0.36% at mid-year (down from 1.38% at mid-year 2019).



## **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.

<b><u>Publication Date</u></b>	<b><u>Application Deadline</u></b>
October 2020	Friday, October 16
November 2020	Friday, November 13

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### **Applications Approved:**

Applications approved since **August 19, 2020** include:

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| <b><u>Credit Union</u></b>                                 | <b><u>Changes or Groups Added</u></b>           |
|------------------------------------------------------------|-------------------------------------------------|
| <b><u>Field of Membership Expansion - Approved:</u></b>    |                                                 |
| EECU #1 (Fort Worth)                                       | <a href="#"><u>See Newsletter No. 07-20</u></a> |
| EECU #2 (Fort Worth)                                       | <a href="#"><u>See Newsletter No. 07-20</u></a> |
| <b><u>Merger or Consolidation - Withdrawn:</u></b>         |                                                 |
| Everman Parkway CU (Fort Worth) and America's CU (Garland) | <a href="#"><u>See Newsletter No. 04-20</u></a> |
| <b><u>Articles of Incorporation Change – Approved:</u></b> |                                                 |
| Pasadena Postal CU (Pasadena)                              | <a href="#"><u>See Newsletter No. 07-20</u></a> |

### **Applications Received:**

The following applications were received and will be published in the **September 25, 2020** issue of the *Texas Register*.

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### **Field of Membership Expansion:**

**Firstmark Credit Union** (San Antonio) – Persons who live, worship, work, or attend school, and businesses and other legal entities located in Atascosa, Bandera, Bexar, Blanco, Comal, Gillespie, Guadalupe, Kendall, Kerr, Kimble, Llano, Mason, Medina and Wilson Counties, to be eligible for membership in the credit union.

## **Applications Received (Continued):**

**DATCU** (Denton) – Persons who live, work, worship, or attend school in Collin, Tarrant, Dallas, Grayson, Jack, and Parker Counties, to be eligible for membership in the credit union.

**InTouch Credit Union #1** (Plano) – Persons who live, work, worship or attend school in Tarrant County, to be eligible for membership in the credit union.

**InTouch Credit Union #2** (Plano) – Persons who live, work, worship or attend school in Macomb County, to be eligible for membership in the credit union.

**InTouch Credit Union #3** (Plano) – Persons who live, work, worship or attend school in Wayne County, Michigan, to be eligible for membership in the credit union.

**InTouch Credit Union #4** (Plano) – Persons who live, work, worship or attend school in Genesee County, Michigan, to be eligible for membership in the credit union.

## **Foreign Credit Union to Operate a Branch Office:**

An application was received from **Eastman Credit Union**, Kingsport, Tennessee to operate a Foreign (out of-State) Branch Office to be located in US Hwy 80, Hallsville, Texas 75604.

*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

