



Newsletter

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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.

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 2, 2018 beginning at 9:00 a.m. in the offices of CUD.

Voluntary Mergers

The National Credit Union Administration (NCUA) has approved a final rule regarding voluntary mergers of federally insured credit unions. The final rule amends procedures a federally insured credit union must follow when voluntarily merging with another federally insured credit union. The amended procedures include changes to member notice, disclosure of merger-related financial arrangements, changes in time frame to give member notice, and affords an opportunity for members to provide comments to NCUA regarding the merger. Any proposed voluntary merger that is not approved by NCUA prior to October 1, 2018, will be subject to these new procedures.



Operating Fee

During the week of August 27th, invoices for the first installment of the Operating Fee for Fiscal Year 2019 will be mailed to all credit unions. All fees must be received on or before September 30, 2018 to avoid the payment of any penalties. If you do not receive an invoice, please contact Isabel Velasquez at (512) 837-9236.



Invitation for Comments on Proposed Amendments to Rules

As part of the rulemaking process, the Department is currently seeking comments on proposed changes to the following rules:

Invitation for Comments on Proposed Amendments to Rules (Continued)

- **7 TAC Section 91.709** (Member Business and Commercial Loans). The proposed amendments to this rule would change the definition of member business loan to conform with recent amendments to 12 U.S.C. 1757a(c)(1)(B)(i) as the result of the passage S. 2155. In general, the proposed amendments would clarify that mortgage loans for non-owner occupied 1- to 4- family residential properties would no longer be considered commercial or member business loans.
- **7 TAC Section 91.712** (Plastic Cards). The proposed amendment to this rule would allow a plastic card to be activated by logging on to the card issuer's website to go through a member verification process. The current rule limits the member verification process to the telephone.
- **7 TAC Section 91.121** (Compliant Notices and Procedures). The proposed amendments to this rule are explanatory in nature and generally relate to (1) how to file a complaint with the Department, (2) how such a complaint will be handled after receipt, (3) the authority of the Department in reviewing such a complaint, and (4) the privacy of information provided in a complaint.
- **7 TAC Section 91.403** (Debt Cancellation Products; Federal Parity). The proposed amendments to this rule would (1) remove conflicting language that could be construed to prohibit the offering of a no-refund debt cancellation product, and (2) designate certain standards that credit unions should look to for guidance and apply as best practices with respect to the offer and sale of debt cancellation products. The proposed amendment reflects an effort to preserve and promote parity with federal credit unions.

The proposed text for each rule is available at <http://cud.texas.gov/credit-union-laws-rules/proposed-recently-adopted-commission-rules>. You may submit comments by email to CUDmail@CUD.texas.gov. The deadline to submit comments is the close of business on **August 27, 2018**.



What's the Yield Curve Got to Do with It?

Credit union auto lending has been robust for several years, but is that always a good thing? In the past three years the Federal Reserve has raised short term interest rates seven times, and it is anticipated that one or two more rate hikes will occur before year-end. What does that mean for credit unions' loan and investment decisions?

Currently (as of August 6, 2018), a risk-free investment such as a 2-year U.S. Treasury Note yields 2.65%. So, what is your direct auto loan rate for an A+ or an A credit borrower for 60 or 72 months? What is your indirect auto loan rate for the same high credit quality borrower? What is your net yield after factoring in your underwriting, processing and servicing costs, your loan loss ratio and any dealer fees? Is it more than the yield for a risk free 2-year U.S. Treasury Note?

If you are experiencing a significant amount of auto loan growth now, especially indirect auto loans, you may be underpricing your auto loans at the expense of your earnings performance. As the duration for a 60 month or 72-month auto loan averages approximately 24 months, your loan pricing decisions should

What's the Yield Curve Got to Do with It? (Continued)

be based not only on your competition, but also on what you can earn on an investment of comparable duration. While competitive auto loan rates to existing members can be a necessity to retain their loyalty and membership, there may be instances where excess funds are better utilized in investments rather than in indirect auto loans to “new” members.



Proposed Rule Review

The Texas Credit Union Commission will review and consider for re-adoption, revision, or repeal Chapter 95, §§**95.100**, (Definitions), **95.101** (Share and Depositor Insurance Protection), **95.102** (Qualifications for an Insuring Organization), **95.103** (General Powers and Duties of an Insuring Organization), **95.104** (Notices), **95.105** (Reporting), **95.106** (Amount of Insurance Protection), **95.107** (Sharing Confidential Information), **95.108** (Examinations), **95.109** (Fees and Charges), **95.110** (Enforcement; Penalty; and Appeal), **95.200** (Notice of Taking Possession; Appointment of Liquidating Agent; Subordination of Rights), **95.205** (State not Liable for any Deficiency), **95.300** (Share and Deposit Guaranty Credit Union), **95.301** (Authority for a Guaranty Credit Union), **95.302** (Powers), **95.303** (Subordination of Right, Title, or Interest), **95.304** (Capital Contributions; Membership Investment Shares; Termination), **93.305** (Audited Financial Statements; Accounting Procedures; Reports), **95.310** (Fees and Charges), and **95.400** (Requirements of Participating Credit Unions).

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.

Comments or questions regarding these rules may be submitted in writing to, Credit Union Department, 914 East Anderson Lane, Austin, Texas 78752-1699, or electronically to cudmail@cud.texas.gov. The deadline for comments is **September 10, 2018**.

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 isn't 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?

Proposed Rule Review (Continued)

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 final adoption by the Commission.



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>
September 2018	Friday, September 14
October 2018	Friday, October 12



Applications Approved

Applications approved since **July 18, 2018** include:

<u>Credit Union</u>	<u>Changes or Groups Added</u>
Field of Membership Change – Approved:	
City Credit Union (Dallas)	See Newsletter No. 05-18
Articles of Incorporation – Approved:	
Texas Workforce CU (San Antonio)	See Newsletter No. 06-18



Applications Received

The following applications were received and will be published in the **August 24, 2018** issue of the *Texas Register*.

Field of Membership Expansion:

Alliance Credit Union (Lubbock) – Persons who live, work, attend school, or worship in and businesses and other legal entities in Bailey, Lamb, Hale, Floyd, Crosby, Garza, Lynn, Terry, Yoakum, and Cochran, to be eligible for membership in the credit union.

Applications Received (Continued)

City Credit Union (Dallas) – Persons who work, worship, reside or attend school in Tarrant County, Texas, to be eligible for membership in the credit union.

Hockley County School Employees Credit Union #1 (Levelland) – Employees of the City of Levelland, Texas.

Hockley County School Employees Credit Union #2 (Levelland) – Employees of Hockley County, Texas.

Texas Dow Employees Credit Union #1 (Lake Jackson) – Persons who work, live, worship, or attend school within the geographic boundaries of Travis County, Texas, to be eligible for membership in the credit union.

Texas Dow Employees Credit Union #2 (Lake Jackson) – Persons who work, live, worship, or attend school within the geographic boundaries of Williamson County, Texas, to be eligible for membership in the credit union.

Texas Dow Employees Credit Union #3 (Lake Jackson) – Persons who work, live, worship, or attend school within the geographic boundaries of Bastrop County, Texas, to be eligible for membership in the credit union.

Texas Dow Employees Credit Union #4 (Lake Jackson) – Persons who work, live, worship, or attend school within the geographic boundaries of Gonzales County, Texas, to be eligible for membership in the credit union.

Texas Dow Employees Credit Union #5 (Lake Jackson) – Persons who work, live, worship, or attend school within the geographic boundaries of Lee County, Texas, to be eligible for membership in the credit union.

Texas Dow Employees Credit Union #6 (Lake Jackson) – Persons who work, live, worship, or attend school within the geographic boundaries of Guadalupe County, Texas, to be eligible for membership in the credit union.

Texas Dow Employees Credit Union #7 (Lake Jackson) – Persons who work, live, worship, or attend school within the geographic boundaries of Blanco County, Texas, to be eligible for membership in the credit union.

Texas Dow Employees Credit Union #8 (Lake Jackson) – Persons who work, live, worship, or attend school within the geographic boundaries of Hays County, Texas, to be eligible for membership in the credit union.

Texas Dow Employees Credit Union #9 (Lake Jackson) – Persons who work, live, worship, or attend school within the geographic boundaries of Caldwell County, Texas, to be eligible for membership in the credit union.

Texas Dow Employees Credit Union #10 (Lake Jackson) – Persons who work, live, worship, or attend school within the geographic boundaries of Fayette County, Texas, to be eligible for membership in the credit union.

Texas Dow Employees Credit Union #11 (Lake Jackson) – Persons who work, live, worship, or attend school within the geographic boundaries of Kendall County, Texas, to be eligible for membership in the credit union.

Texas Dow Employees Credit Union #12 (Lake Jackson) – Persons who work, live, worship, or attend school within the geographic boundaries of Comal County, Texas, to be eligible for membership in the credit union.

Applications Received (Continued)

Texas Dow Employees Credit Union #13 (Lake Jackson) – Persons who work, live, worship, or attend school within the geographic boundaries of Bexar County, Texas, to be eligible for membership in the credit union.

Comments or a request for a meeting by any interested party relating to an application must be submitted in writing within 30 days from the date of this publication. Credit unions that wish to comment on any application must also complete a Notice of Protest form. The form may be obtained by contacting the Department at (512) 837-9236 or downloading the form at <http://www.cud.texas.gov/page/bylaw-charter-applications>. Any written comments must provide all information that the interested party wishes the Department to consider in evaluating the application. All information received will be weighed during consideration of the merits of an application. Comments or a request for a meeting should be addressed to the Texas Credit Union Department, 914 East Anderson Lane, Austin, Texas, 78752-1699.

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

