

# **CREDIT UNION COMMISSION MEETING MINUTES**

**Credit Union Department Building  
914 East Anderson Lane, Austin, Texas  
June 10, 2022**

**A. CALL TO ORDER** -- Chair Jim Minge called the meeting to order at 9:01 a.m. in the conference room of the Credit Union Department Building, Austin, Texas, pursuant to Chapter 551 of the Government Code, and declared that a quorum was present. Other members present included, Liz Bayless, David Bleazard, Karyn Brownlee, Beckie Stockstill Cobb, Sherri Merket, David Shurtz and Kay Swan. The Chair introduced general counsel Nancy Elmilady, who will serve as legal counsel for the commission at this meeting. Representing the Department staff were John J. Kolhoff, Commissioner, Robert Etheridge, Deputy Commissioner, and Joel Arevalo, Director of Information and Technology. Chair Minge appointed Isabel Velasquez as Recording Secretary. The Chair inquired and the Commissioner confirmed that the notice of the meeting was properly posted with the Secretary of State (**June 1, 2022 TRD#2022003233**).

**❖ RECEIVE REQUESTS AND MOTIONS FOR EXCUSED ABSENCES** --

Chair Minge inquired if there were any requests or motions to excuse an absence. Mrs. Cobb moved to excuse commission member Yusuf Farran from the Commission meeting on June 10, 2022. Ms. Merket seconded the motion, and the motion was unanimously adopted.

**❖ GENERAL PUBLIC COMMENT** -- Chair Minge invited public input on

matters that were not scheduled items on the agenda for possible future consideration by the Commission. No public comments were received.

**B. MINUTES OF PREVIOUS MEETINGS (March 11, 2022 and May 27,**

**2022)** -- The Chair referred the members to the draft minutes of the two previous meetings included in the agenda packet and asked for any proposed edits. Hearing none, the chair asked for a motion to approve the minutes. Mr. Bleazard moved for

approval of the minutes of March 11, 2022 and May 27, 2022 as presented. Mrs. Bayless seconded the motion, and the Commission carried the motion unanimously.

**C. DEPARTMENT'S FY 2022 BUDGET AND FINANCIAL PERFORMANCE** – Commissioner Kolhoff reported that in 2020 the Commission adopted a strategic plan for Fiscal Years 2021-2025. The \$4.8 million FY 2022 budget approved by the Commission in June 2021 includes the maintenance and operating and capital improvement budget in support of the Strategic Plan. At the end of the eight months, total expenditures were \$2.476 million or approximately 22% less than budgeted projections of \$3.164 million. Almost all lines performed below budgeted levels apart from other expenditures for FY 2022. Mr. Kolhoff further reported that the expenditures relate primarily to payment of services at the beginning of the year such as insurance costs, state services such as SWCAP, SORM, and TFC costs. Mr. Kolhoff reported that the unspent funds from the FY 2022 budget predominately represent travel related savings as a result of the pandemic's impact and personnel savings due to vacancies.

After a brief discussion, the Commission took no action.

**D. DEPARTMENT'S OPERATING PLAN AND BUDGET FOR FISCAL YEAR 2023** – Commissioner Kolhoff explained that consistent with the Budget Assumptions approved by the Commission, the following pages detail a proposed budget for FY 2023 of \$5,057,455 which represents a 3.32% increase from the FY 2022 budget. The proposed budget includes strategic initiative funding for the costs related to establishing an internal audit function (\$62,000); compensation program performance and equity-based amendments (\$129,761); additional examiner positions (\$264,578); and a legal support budget (\$20,000). The budget also includes capital improvement funding of \$25,000, to repair the Department's roof and \$30,000 to maintain our internal network infrastructure.

After a short discussion, Mr. Shurtz moved that the Commission adopt the proposed FY 2023 Operating Plan and Budget, with a total of budget of \$5,057,455 and 33 FTEs. Mrs. Swan seconded the motion and the commission carried the motion unanimously.

**E. STATE CREDIT UNION SYSTEM** – Deputy Commissioner Etheridge briefly indicated the Texas economy continues to perform well and the economic outlook is optimistic, even as inflationary pressures increase in Texas and throughout the country. The unemployment rate for Texas declined to 4.3% at month-end March 2022, down from 5.0% percent at year-end 2021 and 6.9% from one year ago. In addition, the unemployment rates for three of the four metropolitan areas in Texas remains below the national average of 3.6 percent.

Overall, the aggregate financial performance of Texas chartered credit unions was strong during the first quarter of 2022. Capital strength for the Texas industry was sound, with earnings and asset quality performance ratios reaching their best levels over the last seven years for the second consecutive quarter. The strong financial performance continues to indicate Texas charters remains safe and sound. While there has been a slight dilution of capital ratios over the last several years tied to stimulus deposits and flight to safety, it is anticipated that deposit and asset growth will be controlled during FY 2022 resulting in a strengthening of net worth positions for Texas charters. While the outlook for the Texas industry appears positive, it will remain imperative for credit unions to adapt to the ever-changing economic trends, and political implications to safeguard the financial interests of millions of Texans.

After a brief discussion of some of the key financial trends, no formal action was taken by the Commission.

## **F. RULEMAKING REVIEW**

**(1) Adoption of the Rule Review of 7 TAC, Part 6, Chapter 95, Subchapters A (Insurance Requirements); B (Liquidating Agents); C**

**(Guaranty Credit Unions); D (Disclosure for Non-federally Insured Credit Unions) and Re-adoption of Rules.** Commissioner Kolhoff reported that Section 2001.039, Government Code, requires that a state agency review and consider for readoption each rule not later than the fourth anniversary of the date on which the rule took effect and every four years after that date. At its February 2020 meeting, the Commission approved a plan which establishes a date for the required review for each of the affected rules. In accordance with that plan, staff has reviewed 7 TAC, Part 6, Chapter 95, Subchapters A (Insurance Requirements); B (Liquidating Agents); C (Guaranty Credit Unions); and D (Disclosure for Non-federally Insured Credit Unions) and is recommending no changes be made. No comments were received regarding the review.

After a short discussion, Ms. Merket moved that the Commission find that the reasons for adopting **7 TAC, Part 6, Chapter 95, Subchapters A (Insurance Requirements); B (Liquidating Agents); C (Guaranty Credit Unions); and D (Disclosure for Non-federally Insured Credit Unions)** continue to exist and that the Commission readopt these rules. Mrs. Brownlee seconded the motion, and the commission carried the motion unanimously.

**(2) Adoption of Proposed Amendments to 7 TAC, Part 6, Chapter 91, Section 91.720 (Small-Dollar, Short-Term Credit).** Commissioner Kolhoff noted that the purpose of the proposed amendments is to adjust for inflation the maximum lending limit related to these loan products and to foster competitive authority to similar products allowed federal credit unions. The proposed amendments to paragraph (b) increases the defined maximum for small-dollar, short-term credit loans to \$2,000 and extended maximum maturity to 12 months.

After a brief discussion, Mrs. Cobb moved that the Commission adopt the proposed amendments to rule **7 TAC Section 91.720** without changes to the proposed text as published in the *Texas Register*. Mrs. Bayless seconded the motion, and the commission carried the motion unanimously.

**(3) Adoption of Proposed Amendments to 7 TAC, Part 8, Chapter 153 (Home Equity Lending).** Commissioner Kolhoff reported that the interpretations are administered by the Joint Financial Regulatory Agencies consisting of the Texas Department of Banking, Department of Savings and Mortgage Lending, Office of Consumer Credit Commissioner, and Texas Credit Union Department. The purposes of the proposed rule changes to 7 TAC Chapter 153 are to amend the definition of “business day” and to make technical corrections.

After a short discussion, Mrs. Brownlee moved that the Commission approve for adoption of the amendments to **7 TAC, Part 8, Chapter 153** concerning Home Equity Lending. Mr. Shurtz seconded the motion, and the Commission carried the motion unanimously.

**(4) Amendments to 7 TAC, Part 6, Chapter 91, Section 91.515 (Financial Reporting).** Commissioner Kolhoff reported that the proposed amendments are to align state and federal regulatory requirements relating to small institutions implementation of Generally Accepted Accounting Principles (GAAP). The National Credit Union Administration’s 12 CFR Part 702 enables institutions of \$10 million in assets or less to determine their charges for loan losses outside (GAAP), by not requiring implementation of Current Expected Credit Loss (CECL). This amendment would raise the current threshold for small Texas chartered credit unions to utilize an accounting methodology outside of (GAAP) from the current maximum asset size of \$5million to \$10 million.

Chair Minge opened the floor for comments or questions from the public on the proposed amendments.

- **Nathan Behncke -- Associated Regulatory Council, Cornerstone Credit Union League.** Mr. Behncke agreed with Commissioner Kolhoff’s comments that sometimes these very extensive accounting methods may not

be appropriate for smaller credit unions but appreciates and supports the proposal and will give state-chartered credit unions parity to federal credit unions.

After a short discussion, Mr. Bleazard moved that the Commission approve for publication and comment in the *Texas Register* the proposed amendments to **7 TAC Section 91.515**. Mrs. Cobb seconded the motion, and the Commission carried the motion unanimously.

**(5) Amendments to 7 TAC, Part 6, Chapter 91, Section 91.901 (Reserve Requirements).** Commissioner Kolhoff expressed the purpose of the proposed amendments is to amend the states reserve requirements relative to institutions whose net worth falls below 7% to align with requirements recently amended by the National Credit Union Administration and found in NCUA Rules and Regulations 12 CFR Part 702.106. The amendments would require such institutions to increase “net worth” instead of the current “net worth reserves” and simplify the calculation of the amount of required earning retention by providing only a quarterly measurement regardless of the period the credit union pays dividends. The proposed changes would ensure state requirements would simplify the interaction of federal and state law relative to credit unions needing to comply with this provision.

After a brief discussion, Mrs. Bayless moved that the Commission approve for publication and comment in the *Texas Register* the proposed amendments to **7 TAC Section 91.901**. Ms. Merket seconded the motion, and the Commission carried the motion unanimously.

**(6) Proposed New Rule 7 TAC, Part 6, Chapter 97, Section 97.208 (Vendor Protests).** Commissioner Kolhoff reported the purpose of the proposed rule is to set forth the Department’s procedures for resolving vendor protests relating to purchases as required by Texas Government Code Section 2155.076, adoption of the procurement rules of the Texas Comptroller of Public accounts pursuant to Texas

Government Code Section 2156.005(d) and the negotiation and mediation of a claim for breach of contract as required by Texas Government Code Section 2260.052(c). Furthermore, the Commission proposes this new rule to replace any formal or informal policies or procedures governing the resolution of contract disputes and to carry out the requirements of Texas Government Code Sections 2155.076 and 2156.005(d), and Texas Government Code Chapter 2260.

After a short discussion, Mrs. Brownlee moved that the Commission approve for publication and comment in the *Texas Register* the proposed new rule **7 TAC Section 97.208**. Mr. Shurtz seconded the motion, and the Commission carried the motion unanimously.

#### **G. LITIGATION UPDATE REGARDING PENDING LITIGATION.**

General Counsel Elmilady gave an update to the Commission. No pleadings or public filings have occurred since the last meeting; except for a change of attorney. This attorney has been assigned from the Attorney General's Office to represent us and her name is Alyssa Lawson.

After a brief discussion, the Commission took no action.

**H. COMMISSIONER RESIGNATION STATUS.** Commissioner Kolhoff reported that it was a huge decision to make but he has decided to tenure his resignation effective July 15, 2022 although he is excited to explore other career opportunities. He expressed his heart felt thank you to the staff, industry and the Commission for providing support throughout his tenure as Commissioner.

Chair Minge stated that the Commission would be entering into Executive Session as provided under Section 551.074 and 551.071 of the Government Code for the purpose to deliberate on personnel matters and for consultation and advice of counsel for legal matters subject to attorney-client privilege. The Commission entered Executive Session at 10:02 a.m.

At 10:47 a.m., the Commission returned to open session. Chair Minge inquired if there were any members and who wished to bring forth any motion related to the commission's discussion in executive session? Any comments from the public? Hearing none, Mrs. Brownlee moved that Deputy Commissioner Robert Etheridge assume the position of interim commissioner effective July 16, 2022 with a salary of 10% over his current salary. Mrs. Bayless seconded the motion, and the Commission carried the motion unanimously. For the record, a stipulation was made that it ends when Mr. Etheridge is no longer interim, and this is stated in our policy as well. The Commission congratulated Mr. Etheridge and appreciated his willingness to serve tremendously.

Mrs. Brownlee moved that \$50,000 be allotted for the budget for the commissioner succession search process. Ms. Merket seconded the motion, and the Commission carried the motion unanimously.

**I. COMMISSION POLICY, RESPONSIBILITIES, COMMUNICATIONS AMONGST COMMISSION MEMBERS, COMMISSIONER AND GENERAL COUNSEL.** Chair Minge announced that this item would be tabled.

**J. RESOLUTION OF APPRECIATION FOR OUTGOING COMMISSION MEMBER STEVE GILMAN.** Commissioner Kolhoff indicated that it is the practice of the Commission to adopt a resolution of appreciation to recognize the service of Commission members upon the completion of their terms of office.

After a brief discussion, Mr. Bleazard moved to approve the Resolution of Appreciation for Outgoing Commission Member Steve Gilman, as presented, and directed that a copy of the appropriate resolution be given to the former member as a token of the Commission's appreciation. Mr. Shurtz seconded the motion and the Commission carried the motion unanimously.



**K. DESIGNATION OF A VICE CHAIR AND APPOINTMENTS TO THE COMMISSION'S TWO STANDING COMMITTEES (Rules and Audit) and COMMITTEE POLICY REVIEW.** Chair Minge noted that as stipulated in Commission Policy, the Chair was reappointing Sherri Merket as Vice Chair of the Commission. Mr. Minge also designated members to serve on the two standing committees and a select policy manual review committee and noted that the minutes should reflect the following appointments:

 **Rules Committee**

David Shurtz, Chair  
Liz Bayless  
Beckie Stockstill Cobb

 **Audit Committee**

Kay Swan, Chair  
Liz Bayless  
David Bleazard

 **Policy Manual Review Committee**

David Bleazard, Chair  
Karyn Brownlee  
David Shurtz

After a short discussion, the Commission took no action.

**L. OFFER OF PURCHASE FOR CREDIT UNION DEPARTMENT BUILDING LOCATED AT 914 EAST ANDERSON LANE, TEXAS 78752-1699.** Commissioner Kolhoff reported that a realtor has approached the Department and provided a purchase offer on the Department's building.

Chair Minge stated that the Commission would be entering into Executive Session as provided under Section 551.072 for the purposes of deliberation regarding the purchase, exchange, lease or value of real estate property and potential

negotiations with a third party. The Commission entered Executive Session at 10:52 a.m.

At 11:23 a.m., the Commission returned to open session. Chair Minge inquired if there were any members and who wished to bring forth any motion related to the commission's discussion in executive session? Any comments from the public? Hearing none, Mr. Shurtz moved that we decline the realtor's purchase offer of our building. Mrs. Cobb seconded the motion, and the Commission carried the motion unanimously.

**M. FUTURE COMMISSION MEETINGS: AGENDA ITEMS, ARRANGEMENTS, AND DATES.** Chair Minge reminded everyone that the next regular meeting of the Commission has been tentatively scheduled for September 16, 2022 at 9:00 a.m., in Austin.

Chair Minge opened the floor to the public for discussion.

- **Melodie Durst, Executive Director, Credit Union Coalition of Texas.** Mrs. Durst briefly explained that since this was likely the last opportunity that she would have a chance to publicly say thank Commissioner Kolhoff for the last three and half years. Furthermore, she appreciated Kolhoff's openness to discuss issues impacting the industry and appreciated his professionalism. She wished Commissioner Kolhoff all the best in his next endeavors.
- **Nathan Behncke -- Associated Regulatory Council, Cornerstone Credit Union League.** Mr. Behncke concurred with Mrs. Durst's comments and thanked Commissioner Kolhoff for his service here in Texas. The League appreciates all that he has done for the Industry. Mr. Kolhoff has been very easy to work with and a good advocate for credit unions so they are sorry to see him go.

Commissioner Kolhoff responded that it has been a very hard decision to make and really appreciated the opportunity the Commission has given him these three and half years. The Department was strong prior to his arrival thanks to former Commissioner Feeney, but the Department has continued to build to take the Department and Industry into the future. He insisted that he is confident that it will continue to go there under the Commission's leadership.

Chair Minge thanked the Commissioner and truly appreciated what he has done to help Texas charters.

**M. Future Commission Meetings: Agenda Items, Arrangements, and Dates.**

Chair Minge reminded everyone that the next regular meeting of the Commission has been tentatively scheduled for September 16, 2022 at 9:00 a.m., in Austin.

**ADJOURNMENT** – There being no further business for the Credit Union Commission, Chair Minge adjourned the meeting at 11:28 a.m.

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Jim Minge  
Chairman

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Isabel Velasquez  
Recording Secretary

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