



# Newsletter

No. 04-23



April 19, 2023



## 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:

Jim Minge, Chair  
Elizabeth L. "Liz" Bayless  
David Bleazard  
Karyn C. Brownlee  
Beckie Stockstill Cobb  
David F. Shurtz  
Kay Rankin-Swan

## Next Commission Meeting

Friday, August 11, 2023, beginning at 9:00 a.m. in the offices of CUD.

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## Commission Members Appointment by the Senate

**David Bleazard** of Katy, is the President/CEO of First Service Credit Union. He has served as a member of the Commission since 2022.

**Beckie Stockstill Cobb** of Deer Park, is the owner of Stockstill & Associates Insurance Agency. She has served as a member of the Commission since 2015.



## Pricing Decisions, Liquidity and Borrowings

A recent Wall Street Journal article, "Auto Loan Interest Rates are Skyrocketing: No One Told Credit Unions" discusses how many credit unions have significantly underpriced their auto loans as interest rates continued to rise. Additionally, several other recent credit union articles have discussed how credit unions in the past year have underpriced auto, commercial, and other loans by 150 basis points or more. Part of the unusually strong loan growth in 2022 for credit unions was due to mispricing loans and has resulted in liquidity crunches and the need for higher cost borrowings at a number of credit unions.

In the current high interest rate environment combined with a slowing economy, credit unions need to frequently review/adjust loan, share and deposit rates to ensure they are appropriate. Credit unions should also review their liquidity policies and strategies to ensure they maintain adequate liquidity to meet member loan and deposit withdrawal needs. With tight liquidity and a higher cost of borrowings, strategies that worked in the low interest rate environment we had for a number of years don't work now.

## **Pricing Decisions, Liquidity and Borrowings (Continued)**

Loan pricing at a credit union should consider current interest rates, loan servicing expenses and estimated loan losses for that category of credit risk. If the loan pricing yields a lower estimated return than you could earn on a risk-free investment of similar duration like a United States Treasury or Certificate of Deposit, you are putting a strain on the financial performance of your credit union. This is particularly true if you are using borrowings to fund your loans.



## **Federal Reserve Establishes Bank Term Funding Program**

The Credit Union Department recently received correspondence from the Federal Reserve regarding their establishment of the Bank Term Funding Program (BTFP). “The BTFP was created to support American businesses and households by making additional funding available to eligible depository institutions to help assure banks have the ability to meet the needs of all their depositors.” Some of the resources for the BTFP that may be beneficial to Texas chartered credit unions include:

- 1) The Federal Reserve established a [Bank Term Funding Program website](#) containing background on the program, a BTFP term sheet, a template email for participating in the program, and collateral pledging instructions. The website also includes a [frequently asked questions document](#) providing details to common questions on the program.
- 2) In mid-March, the Federal Reserve hosted a webinar on the BTFP, which provided an overview of the BTFP and addressed a variety of questions that have been asked since the program’s implementation. A recording of the webinar is available on the [Ask the Fed website](#). For access to the website, free registration is required. Upon logging in, the webinar is located under the “All Calls” tab at the top of the page.
- 3) [Operating Circular No 10](#) (Lending), governs advances from the Discount Window and the BTFP.
- 4) The Federal Reserve’s Discount Window website can be found [here](#).

If you have specific questions regarding the BTFP or Discount Window lending, you may contact the Dallas Fed’s Discount Window Office at [dal.discount.window@dal.frb.org](mailto:dal.discount.window@dal.frb.org).



## **Reminder to Update NCUA Profile Information**

This is the time of year when many credit unions face material staffing changes due to employees moving positions, new board member elections and/or board officers being named as part of the annual membership meeting. With all these changes its important to remind Texas chartered credit unions of their responsibility under Texas Admin. Code Section 91.503, and NCUA Rules & Regulations part 741 to update the NCUA’s CU Online Profile Information, and if the change involves the general manager or chief executive officer, specific notice also needs to be sent to the Department. It's also important to

## **Reminder to Update NCUA Profile Information (Continued)**

keep site locations up to date and accurate on an ongoing basis. But this isn't just important as a regulatory requirement.

With the size and breadth statewide, national, and even international risks credit unions sometimes face, this information can be extremely important in both the Department's and the State of Texas' ability to assist credit unions and the citizens of the impacted communities.

In addressing cybersecurity, pandemic, state and nationwide regulatory and legislative issues, the Department regularly provides information to Texas chartered credit union chief executive officers and/or chairs based on the email contact information provided in the NCUA Profile.

Further, during localized disasters Department staff follow up with institutions impacted, by utilizing the various contact options provided in the profile; thus, making it important for that information to be current. We use the data for a variety of purposes, including:

- to analyze impacted institutions by the addresses of their facilities to check the institutions status and any assistance that may be provided,
- for statewide and national impact reporting; and
- to seek institutions with facilities on the outskirts of impacted areas, or with mobile branches, that are willing to assist in providing financial service assistance to severely impacted institutions and their members as part of the disaster relief efforts.

Because this information can be so useful when needed, the Department encourages credit unions to keep the NCUA Profile information current to help ensure Texas remains prepared to address any emergency we may encounter



## **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.

### **Publication Date**

### **Application Deadline**

May 2023  
June 2023

Friday, May 12  
Friday, June 16



## **Applications Approved**

Applications approved since March 15, 2023.

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### Credit Union

### Changes or Groups Added

#### Field of Membership – Approved:

First Central Credit Union (Waco)

[See Newsletter \(02-23\)](#)

## **Applications Withdrawn**

Applications withdrawn since March 15, 2023.

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### Credit Union

### Changes or Groups Added

#### Field of Membership – Withdrawn:

Associated Credit Union of Texas #3 (League City)

[See Newsletter \(12-22\)](#)

Associated Credit Union of Texas #6 (League City)

[See Newsletter \(12-22\)](#)

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## **Applications Received**

The following applications were received and will be published in the **April 28, 2023**, issue of the *Texas Register*.

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#### Merger or Consolidation:

An application was received from **Priority Postal Credit Union** (Pasadena) seeking approval to merge with **USI Federal Credit Union** (La Porte), with the latter being the surviving credit union.

#### Articles of Incorporation:

An application was received from **United Savers Trust Credit Union** (Houston) to amend its Articles of Incorporation relating to principal please of business.

*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.*

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To learn more about CUD click <http://www.cud.texas.gov> or contact us at 914 E. Anderson Lane, Austin, TX 78752