



CREDIT UNION COMMISSION MEETING

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

**March 22, 2024
9:00 a.m.**

AGENDA

This meeting of the Texas Credit Union Commission will be held at the Credit Union Department Building at 914 E. Anderson Ln., Austin, Texas 78752 and is open to the public. Only onsite testimony will be allowed; however, the meeting will be transmitted live through a link on the Department's webpage at www.cud.texas.gov on the day of the meeting, March 22, 2024 at 9:00 a.m.

An electronic copy of the agenda is now available at www.cud.texas.gov under Credit Union Commission, Commission Meetings, along with a copy of the meeting materials. A recording of the meeting will be available after March 29, 2024. To obtain a recording, please contact Isabel Velasquez at 512-837-9236.

Public comment on any agenda item or issue under the jurisdiction of the Credit Union Commission is allowed. Unless authorized by a majority vote of the meeting quorum, the comments of any persons wishing to address the Commission will be limited to no more than ten (10) minutes.

The Commission may discuss and/or take action regarding any item on this agenda.

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Adjournment

Executive Session: The Credit Union Commission may go into executive session (close its meeting to the public) on any agenda item if appropriate and authorized by the Open Meetings Act, Texas Government Code, Chapter 551.

Meeting Recess: In the event the Commission does not finish deliberation of an item on the first day for which it was posted, the Commission might recess the meeting until the following day at the time and place announced at the time of recess.

Meeting Accessibility: Under the Americans with Disabilities Act, the Credit Union Commission will accommodate special needs. Those requesting auxiliary aids or services should notify Joel Arevalo, Credit Union Department, 914 East Anderson Lane, Austin, Texas 78752--(512) 837-9236, as far in advance of the meeting as possible.

A

CALL TO ORDER


TEXAS CREDIT UNION COMMISSION MEMBERS

- *Jim Minge, Chair*
- *Elizabeth L. “Liz” Bayless, Vice Chair*
- *Becky L. Ames*
- *David Bleazard*
- *Karyn C. Brownlee*
- *Beckie Stockstill Cobb*
- *Cody R. Huggins*
- *David F. Shurtz*
- *Kay Rankin Swan*

Legal Counsel

- *Karen L. Miller*

Staff

- *Michael S. Riepen*
- *Robert W. Etheridge*
- *Joel Arevalo*
-  *Isabel Velasquez*

B

CREDIT UNION COMMISSION MEETING MINUTES

Draft copies of the minutes for the November 3, 2023, meeting, and the corresponding follow-up action report, are located under **Tab B**.

RECOMMENDED ACTION: The Department requests that the Commission approve the minutes as presented.

RECOMMENDED MOTION: I move that the minutes of the Commission's regular meeting of November 3, 2023, be approved as presented.

CREDIT UNION COMMISSION MEETING MINUTES
Credit Union Department Building
914 East Anderson Lane, Austin, Texas
November 3, 2023

A. CALL TO ORDER -- Chair Jim Minge called the meeting to order at 9:02 a.m. in the conference room of the Credit Union Department Building, Austin, Texas, pursuant to Chapter 551 of the Texas Government Code, and declared that a quorum was present. Other members present included Liz Bayless, David Bleazard, Karyn Brownlee, Beckie Stockstill Cobb, David Shurtz and Kay Rankin-Swan. The Chair introduced Karen L. Miller, General Counsel for the Department, who will serve as legal counsel for the commission at the meeting. Representing the Department staff were Commissioner Michael S. Riepen, Deputy Commissioner Robert W. Etheridge, Director of Information and Technology Joel Arevalo, and Executive Assistant Isabel Velasquez. 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 (**October 17, 2023 TRD#2023005973**).

❖ **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 (August 11, 2023) -- The Chair referred the members to the draft minutes of the previous meeting included in the agenda packet and asked for any proposed edits. Hearing none, the Chair asked for a motion to approve the minutes. Mr. Shurtz moved for approval of the minutes of August 11, 2023, as presented. Mrs. Cobb seconded the motion, and the Commission carried the motion unanimously.

C. PROPOSED AMENDMENTS TO RULE 7 TAC, PART 6, CHAPTER 97, SUBCHAPTER B, SECTION 97.113 (FEES AND CHARGES) –

Commissioner Riepen reported that the Department is funded by assessment of an operating fee. Commissioner Riepen reported that the most recent adjustment to the fee schedule was made July 12, 2009. The 2009 Amendment consolidated five brackets and increased the maximum bracket from \$1 billion and over to \$2 billion and over. In 2009, percentages were slightly decreased or remained the same in that amendment. Commissioner Riepen explained the purpose of the proposed amendment is an increased need for funds to support budget flexibility for long range planning, respond to increased reliance on technology (by both the department and the entities it regulates), respond to greater complexity surrounding risks at credit unions, address the need to prepare for retirement of key staff, increase operating reserves and fund deferred facility maintenance costs. Additionally, a large state-chartered credit union converted to a federal charter, which caused a significant revenue decrease. In response to these issues, the operating fee schedule was reviewed to address an equitable methodology to increase potential fees, streamline the operating fee process, minimize the impact on regulated institutions and maintain competitive parity with other financial institution regulators. Commissioner Riepen outlined a comparison between the Department's (CUD) current and proposed fee structure compared to the National Credit Union Administration (NCUA) and the Texas Department of Banking (DOB). This revealed the following:

- Both the NCUA and DOB fee schedules result in significantly more revenue for regulation of a similar portfolio (number and asset size) of institutions. The NCUA operating fees schedule generates over \$8.6 million, compared to the CUD schedule that generates \$5.6 million or 35% less.
- NCUA's fee structure favors smaller institutions.
- DOB's fee structure favors larger institutions.
- CUD's fee structure favors larger institutions.

Overall, the new calculations provide nominal regulator fee relief to institutions under \$200 million in assets and protects the larger institutions with a maximum dollar increase of \$19,640. The new calculations also add a top tier to address when a credit union exceeds assets of \$6.8 billion, with the percentage factor being reduced from .000062 to .000040.

Additionally, we are proposing an amendment to give the Commissioner the authority to reduce the operating fee in addition to simply waiving it. This gives the Department more flexibility in situations where an adjustment to the fee may be appropriate, but waiving the entire fee is unnecessary.

Chair Minge opened the floor to the public for discussion.

- **Melodie Durst, Executive Director, Credit Union Coalition of Texas**, offered her thanks for the opportunity to offer comments. Mrs. Durst acknowledged the many hours that Deputy Commissioner Etheridge and staff spent in preparing not only the budgets, but any rule amendments and the proposed operating fee. Mrs. Durst raised various questions concerning the methodology and the need to raise operating fees at this time. Commissioner Riepen provided an explanation to each of her questions.
- **Suzanne Yashewski, Regulatory & Compliance Counsel**, thanked everybody for their participation in this, from the staff to the Commission and committee members. Ms. Yashewski reported that she met with their Texas Working Group, part of the Cornerstone League, a small group of credit unions in various sizes. She reported that this is just a small portion of their membership in total, but the large ones in the group that she met with understood that they may be paying a bit more. They felt comfortable with pushing the proposal forward for comment, understanding that they may pay more. Furthermore, she expressed that the main issue really is the success of

the Department and keeping good, tenured examiners who know what they are doing on staff. Credit unions are also asking the Department to provide some sort of assurance that if they pay more, they are going to see that sort of return. Credit unions felt more comfortable with that increase if they could see more of a direct return to the credit union industry, not just to large credit unions, but to the credit union industry as a whole.

- **David Bleazard, Commission Member**, stated that regardless of whether this fee change goes forward, the important thing is for us to discuss as a Commission board that the Sunset Commission was very direct in their comments about not rebating fees back. Mr. Bleazard stated that regardless of whether we change this rule or not, he did not think we should be rebating any fees back. We should be billing what we are allowed to bill and collecting and putting any fees raised but not used into our reserve fund. Furthermore, Mr. Bleazard indicated that we have been extremely hesitant to use the reserve fund for anything, but we should not be hesitant to use the reserve fund for things that are prudent and necessary for the operation of the Department. At the end of his discussion, Mr. Bleazard wanted to go on record that regardless of the operating fee discussion outcome, the Commission should make better use of the reserve fund.

After a lengthy discussion, Mr. Shurtz moved that the Commission approve for publication and comment the proposed amendments to 7 TAC, Part 6, Chapter 97, Subchapter B, Section 97.113 concerning fees and charges. The motion coming as a recommendation of the Rules Committee does not require a second. The Chair called the question and on the vote of 7 to 1, Mr. Bleazard opposing, the motion CARRIED.

D. COMMISSIONER EVALUATION COMMITTEE - Chair Brownlee reported that the Commissioner Evaluation Committee met on November 2, 2023,

in a public meeting. It is the Committee's responsibility to develop, establish and review the policies, procedures and forms that are used to carry out the Commissioner's annual performance review. It is also the Committee's responsibility to make recommendations to the Commission regarding performance standards for the upcoming fiscal year. The Committee is to oversee the process and ensure its completion as outlined, and at the last Commission meeting of each calendar year present related recommendations to the Commission for approval. As such, the Committee has prepared a report reflecting the Commissioner's performance for Fiscal Year 2023 and has revised the Commissioner's performance evaluation process document for FY 2024 which includes updated performance standards and goals. We recommend these two documents for adoption by the Commission.

Because these are personnel matters, I request an executive session for private deliberation prior to taking any action.

Chair Minge officially announced that under the Texas Open Meetings Act, Texas Government Code, Section 551.074 for this agenda item, the Commission will now enter Executive Session to deliberate on personnel matters for this agenda item. The Commission entered Executive Session at 10:07 a.m.

At 10:43 a.m., the Commission returned to open session. Chair Minge inquired if there were any members who wished to bring forth any motion. Chair Brownlee thanked the Commissioner for a very good first year at the helm of our department. Your calm, steady leadership style has proven effective in moving our staff forward and promoting a strong credit union system in Texas, and we thank you very much for a very faithful, strong, and great first year.

Mrs. Brownlee moved to adopt the Commissioner Evaluation Performance Evaluation report for FY 2023, and to approve the salary of \$209,000 to begin on

January 1, 2024. Mr. Bleazard second the motion, and the Commission carried the motion unanimously.

Mrs. Brownlee moved to approve the Commissioner's Fiscal Year 2024 Performance Evaluation Process and Plan. Mrs. Bayless second the motion, and the Commission carried the motion unanimously.

E. DEPARTMENT'S FY 2023 BUDGET AND FINANCIAL PERFORMANCE – Commissioner Riepen reported that in 2022 the Commission adopted a strategic plan for Fiscal Years 2023-2027. The \$5.0 million FY 2023 budget approved by the Commission in June 2022 includes the maintenance and operating budget and capital improvement budget in support of the Strategic Plan. At the end of August 2023, total expenditures were \$737,429 or approximately 14.7 percent less than budgeted projections. Aggregate expenses for each major expense category ended the year below budget estimates. Due to personnel vacancies, total personnel expenses accounted for 57 percent of the budget variance, or \$419,821. Other below budget items include travel related savings and Professional Services and Fees.

After a brief discussion, the Commission took no action.

F. STATUS OF THE STATE CREDIT UNION SYSTEM – Deputy Commissioner Etheridge briefly discussed the Texas economy performance, and that the Texas economy continues to withstand economic pressures and perform well. However, inflationary pressures have resulted in higher interest rates and labor costs, and slowing job growth and manufacturing, resulting in the potential for a noticeable slowdown in economic growth in Texas. During the first half of 2023, Texas employment rose at an annualized rate of 3.2 percent, exceeding the national average of 2.2 percent. Economic expansion is anticipated to continue through year-end, but at a slower pace than the first half of the year.

The unemployment rate for Texas was 4.1 percent at month-end September 2023, unchanged from May 2023. The number of new jobs in Texas for 2023 is the highest of any state and the percentage increase is the second highest of any state in the country. Overall, the financial performance of Texas chartered credit unions for the first six months of 2023 remains good. Capital levels for the Texas industry continue to grow, and earnings and asset quality ratios are being maintained at some of their strongest levels over the last seven years. Earnings performance data for Texas credit unions reflects favorable levels of net income, and when coupled with controlled asset growth and slow deposit growth, resulted in a strengthening of net worth ratios. Ultimately, while the performance outlook for the Texas industry still appears satisfactory, it remains essential for credit unions to adapt to the ever-changing economic trends (i.e., inflation, higher cost of funds, etc.), and the increasing political and warfare concerns to safeguard the financial interests of Texas credit unions and its members.

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

G. ADMINISTRATIVE PENALTIES AND LATE FEES – Commissioner Riepen reported that in its report dated August 2020, the Sunset Advisory Commission directed the Department to develop a penalty matrix, and the recommendation would ensure the Department has clear standards to assess administrative penalties and late fees in a fair and consistent manner. A review has been conducted of all existing civil money and criminal penalties under the Credit Union Act and Rules for Credit Unions, and a penalty matrix was developed which is consistent with the Sunset Commission's recommendations.

After a brief discussion, Mrs. Cobb moved that the Commission approve the Penalty Matrix as proposed by the Department. Mr. Bleazard second the motion, and the Commission carried the motion unanimously.

H. DEPARTMENT'S EQUAL EMPLOYMENT AND WORKFORCE PLAN – Commissioner Riepen explained that Finance Code Section 15.313 requires the Commission to prepare and maintain a written policy statement to assure implementation of a program of equal employment opportunity under which all personnel decisions are made without regard to race, color, sex, religion, age, or national origin.

After a short discussion, Mrs. Brownlee moved that the Commission adopt the Department's Equal Employment and Workforce Plan as recommended by staff. Mrs. Swan second the motion, and the commission carried the motion unanimously.

I. PENDING LITIGATION – Commissioner Riepen reported to the Commission that since the last meeting report, there have been no significant updates.

J. AGENDA ITEMS, ARRANGEMENTS, AND DATES. Chair Minge reminded everyone that the next regular meeting of the Commission has been moved from Friday, March 8, 2024, to **March 22, 2024** at 9:00 a.m., in Austin. Due to schedule conflicts, the scheduled meeting from Friday, July 12, 2024, has been moved to **Friday, July 19, 2024**. Mr. Minge inquired if anyone had any suggested agenda items for our March 22nd meeting. No requests were received.

ADJOURNMENT – There being no further business for the Credit Union Commission, Chair Minge adjourned the meeting at 11:04 a.m.

Jim Minge
Chairman

Isabel Velasquez
Recording Secretary

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Legislative Reference Library

DRAFT

FOLLOW-UP ACTION REPORT CREDIT UNION COMMISSION MEETINGS

MINUTES DATE AND REFERENCE/TOPIC	FOLLOW-UP ACTION REQUIRED	STATUS (As of 01-12-2024)
<u>November 3, 2023</u>		
7 TAC, Part 6, Section 97.113 Fees and Charges	Published in <i>Texas Register</i> with a 31-day comment period.	Published in <i>Texas Register</i> on 11/17/2023.

C

RULES COMMITTEE

The Rules Committee is a standing committee of the Commission. It has been charged with the managing, the review, and development of Commission rules and, as appropriate, propose any legislative changes that may be necessary to preserve the attractiveness of a Texas charter.

COMMITTEE MEMBERS

- ❖ David F. Shurtz, Chair
- ❖ Elizabeth L. “Liz” Bayless
- ❖ Beckie Stockstill-Cobb
- ❖ Jim Minge, Ex-Officio

The Rules Committee met on March 21, 2024, in a public meeting to discuss one item. The Committee will report on its activities for consideration and possible vote by the Commission.

PROCEDURES FOR ADOPTING A PROPOSED RULE

1. A proposed rule is prepared by Credit Union Department staff and presented to legal counsel (Attorney General) for review.
2. The proposed rule is presented to the commission for consideration.
3. The commission reviews, amends, adopts, refers back to staff, or tables the proposed rule.
4. The proposed rule is adjusted by staff (if required), furnished to legal counsel, and transmitted to the **Texas Register** for publication as a "proposed" rule.
5. A 30-day comment period follows initial publication which also is made in the Department's monthly newsletter or by a special mailing to credit unions.
6. The commission may reconsider the rule any time after the 30-day comment period. Any comments received are considered and the rule is available for adoption as "final" if no substantive changes are made. Any substantive change will result in the rule reverting to step four.
7. The rule is adopted as "final" and transmitted to the ***Texas Register*** for publication as a final rule. The rule becomes effective 20 days following filing for publication.
8. The rule is published or announced through the Department's newsletter.

EMERGENCY RULES

Rules, which are approved by the commission for emergency adoption, are transmitted to the ***Texas Register*** for filing. These rules become effective immediately upon filing unless another effective date is specified. They can be effective only for 120 days with a renewal provision for an additional 60 days a maximum of 180 days. "Day one" is the day of filing or the date specified as the effective date. While these emergency rules are in effect, regular rules should be initiated using the normal procedure described above. The Department rarely adopts emergency rules.

PROCEDURES FOR REQUIRED RULE REVIEW

Section 2001.39, Government Code, requires that a state agency review and consider for re-adoption each rule not later than the fourth anniversary of the date on which the rule took effect and every four years after that date. To comply with this requirement, the Commission follows the procedure below:

1. Every four years, the Commission adopts and publishes a Rule Review Plan, which establishes a date for the required review of each existing rule.
2. At least sixty days prior to a particular rule's scheduled review date, the Department publishes notice in the Newsletter reminding interested persons of the review and encouraging comments on the rules up for review.
3. Staff reviews each rule to determine whether it is obsolete, whether the rule reflects current legal and policy considerations, and whether the rule's structure as well as the specific language used is both clear and understandable.
4. If in reviewing existing rules, staff believes certain amendments may be appropriate, it provides an informal comment phase on any potential substantive amendments to all interested persons via its RuleRemarks blog on the Department's webpage.
5. After consideration of the informal comments, proposed amendments are prepared by staff and presented to the Rules Committee for review.
6. At a public meeting, the Rules Committee accepts public testimony on each rule subject to review and considers staff recommended changes. The Committee reviews each rule and then amends the staff proposal and refers it to the Commission, refers the proposal back to staff, or refers the proposal, as recommended by staff, to the Commission.
7. The Committee's recommendation is presented to the Commission for consideration.
8. The Commission reviews, amends, approves the proposal for publications, refers it back to the Committee, or tables the proposed amendment.
9. If the Commission approves the proposal for publication, it is transmitted to the *Texas Register* for publication as a "proposed" rule amendment.
10. A 30-day comment period follows initial publication which also is announced in the Department's monthly newsletter.
11. The commission may reconsider the rule any time after the 30-day comment period. Any comments received are considered and the rule is available for adoption as "final" if no substantive changes are made. Any substantive change will result in re-publication of the proposal.

The rule as amended is adopted and transmitted to the *Texas Register* for publication as a final rule. The rule becomes effective 20 days following filing for publication.

13. The amended rule is announced through the Department's newsletter and copies are made available to credit unions.

RULEMAKING MATTER

One item is being presented to the Commission for its information, consideration, and/or possible action. Specifically, the Commission will discuss, consider, and possibly take action on:

- a. Adoption of Proposed Amendments to **7 TAC, Part 6, Chapter 97, Subchapter B, Section 97.113** (Fees and Charges).

RECOMMENDED ACTION: The Rules Committee recommends that the Commission take action as indicated in the documents contained in **TAB C**.

FEES AND CHARGES

C. (1) Adoption of Proposed Amendments to Rule 7 TAC, Part 6, Chapter 97, Subchapter B, Section 97.113 (Fees and Charges).

BACKGROUND: The Credit Union Commission (Commission) approved amendments to §97.113, Fees and Charges, at the meeting on November 3, 2023, and they were published in the November 17, 2023, issue of the *Texas Register* (48 TexReg 6709).

These amendments modify the operating fee rate tiers, reflecting overall credit union asset growth since the last adjustment to the fee in 2009. The amendments also provide that the Commissioner can adjust an operating fee (in addition to waiving it), subject to reporting requirements.

Operating fee tier adjustments consolidate lower asset size categories, slightly reduces fees for credit unions \$1 million to \$215 million in assets, increases the base fee amount from \$200 to \$1,450, slightly increases the incremental rate to credit unions in the \$250 million to \$2 billion in assets, and sets a lower rate for assets exceeding \$6.8 billion. The largest increase is \$19,640 annually for credit unions more than \$2 billion in assets. The fee structure continues to provide for less annual operating fees compared to the federal charter alternative (NCUA) if assets exceed \$136 million.

These adjustments are necessary to fund future budgeted expenditures in technology, training, staffing, and increased reserves, and support the mission of the Department.

Comments at the November meeting were both against and for the amendment. One written comment against the amendment was received.

The written comment, published amendment(s), and proposed preamble are attached.

RECOMMENDED ACTION: The Committee recommends that the Commission adopt the proposed amendments to Rule 7 TAC, Part 6, Chapter 97, Subchapter B, Section 97.113.

NOTE: Coming upon a recommendation from the Rules Committee, a Standing Committee of the Commission, no second is needed to consider and vote on the issue.

The Credit Union Department (Department) adopts the amendments to 7 TAC, Chapter 97, §97.113, concerning Fees and Charges, without changes to the text published in the November 17, 2023, issue of the *Texas Register* (48 TexReg 6709). The amendments will not be republished.

The amended rule allows the Department to:

1. Streamline the operating fee by consolidating tiers,
2. Provide a nominal reduction in assessments for credit unions under \$250 million in assets and nominal increase to credit unions whose assets exceed \$250 million.
3. Provide additional operating revenue to fund department expenditures.
4. Establish a decreased percentage assessment for institutions whose assets exceed 6.8 billion dollars, and
5. Give the Commissioner the power to adjust, as opposed to waive, an operating fee.

The new rule is adopted because:

1. The current operating fee schedule is based on regulated portfolio asset distributions over fourteen years ago, and there is a need to update the schedule.
2. It provides for additional operating funding to accomplish future agency objectives, including:
 - a. Continue a robust examination process.
 - b. Pay for an outside internal audit.
 - c. Invest in technology infrastructure.
 - d. Hire additional staffing to train and replace key personnel subject to retirement.
3. It creates a new tier for the largest institutions, with a reduced percentage assessment for a larger asset size credit union to remain competitive on regulatory fees.

The Department received one comment against the proposed rule, from a trade association. This trade association represents larger state and federal credit unions in Texas. At its meeting on November 3, 2023, the Commission received public comments both in support of, and in opposition to, the rule.

Overall, the commentator felt a rule revision was unnecessary, asserting that the current assessment framework was sufficient, the proposed rule created inequities by placing too high a burden on larger institutions, and the department should provide more detailed information to support any changes.

The Department disagrees with the commentator's assertions that the current rule provides for sufficient revenue. The commentator proposes if the current framework is not adequate, a special assessment or reserves should be used. The Department responds that a history of operating expenses below budgeted expenditures should not limit future department needs and aspirations. The purpose of the amendment is to provide for a forward-thinking revenue methodology and revenue that allows room for necessary investments and strategic initiatives. The modest increase to credit unions over \$250 million in assets permits the department to fund investments in examiner training, staff retention and staff additions, increased reserving, succession planning and acquiring needed technology infrastructure. Since these expenditures are recurring and ongoing, it would not be prudent to fund these through special assessments. Likewise, the reserve fund which was determined by the Sunset Advisory Commission to be

inadequate and not in alignment with the best practices of other SDSI agencies, should not be depleted but increased. (See Issue 2 of the Summary of Sunset Staff Report 2020-2021, 87th Legislature; <https://www.sunset.texas.gov/reviews-and-reports/agencies/credit-union-department>).

The proposed fee schedule does not unduly place the financial burden on one quarter of the credit unions. Currently, the ten largest state-chartered credit unions represent 45.7% of assets regulated but only 34.7% of the annual assessment. In essence, the current fee structure gives a 10% reduction in operating fees to the larger credit unions compared to smaller credit unions, relative to asset size. Under the proposed rule, the ten largest credit unions would make up 45.7% of assets regulated and 36.1% of the total operating fee assessment. The proposal addresses, but does not eliminate, the existing uneven financial burden placed on smaller, not larger, institutions.

The commentator states “Larger credit unions are examined....less often than smaller credit unions...and proportionally utilize fewer Department resources”. The Department’s review of examination frequencies and use of department resources does not support this statement. Larger credit unions are examined more often than smaller credit unions, as all credit unions over one billion in assets are scheduled to be examined every 12 months, as required by their deposit insurer (NCUA). For credit unions over \$500 million and less than one billion in assets, approximately 25% are on a 12-month cycle. Smaller credit unions are targeted for a less frequent 15-month cycle. Not only are larger credit unions examined more frequently, but they also require more exam days, and due to greater complexity and increased risks, they are assigned experienced, and thus more expensive, examination staff. Larger credit unions also require more resources in other operational areas, such as member complaints. Since 2022, over 55 % of public complaints processed involve credit unions with more than \$1 billion in assets, and over 85% of complaints involve institutions greater than \$250 million in assets.

It should also be noted that state chartered larger institutions have a lower assessment than they would pay if federally chartered. For example, a \$1 billion federal chartered credit union would pay \$174,220 compared to the current department assessment of \$88,353 (or the proposed \$99,050). Even with the proposed increase, the savings afforded a state charter, for this size credit union, is over \$75,000 annually and even more for credit unions of a larger asset size. (For a \$ 2 billion federal credit union the NCUA operating fee assessment would be \$328,016 versus the proposed state assessment of \$177,050).

The commentator requested the methodology behind restructuring the tiers from the current 10 tiers to 8 tiers. Credit unions have generally increased in assets since the 2009 amendments, making some asset categories not relevant. The number of institutions in the categories being consolidated are those with assets less than \$100 million, which have decreased from 165 credit unions in 2009 to 98 today. Conversely, those over \$500 million in assets numbered 11 in 2009 and number 32 today. One category was added to be used in the future for the largest institutions.

The Department declines to follow the commentator’s suggestion that the Department detail specific planned expenditures prior to implementation of this rule. First, general budget needs

have been outlined herein. All future expenditures will be detailed in Department budgets which undergo a robust and transparent review and approval process by the Commission with the opportunity for public input.

Likewise, the Department declines to set criteria for a reduction or waiver of the operating fee. Our current regulatory framework provides that the Commissioner can waive an operating fee, subject to reporting requirements to the Commission. This has been the law for many years without any concerns. The proposed amendment modifies the authority to include reducing the fee in addition to granting a total waiver. The rule continues to include the same public reporting requirements to the Commission that have provided effective oversight of its use in the past.

The Department's mission statement requires it to safeguard the public interest, protect the financial interests of credit union members, and promote public confidence in credit unions. It is the Department's position that revisions to this rule support this mission.

The new rule is adopted under Texas Finance Code, 15.402, which authorizes the Commission to adopt reasonable rules for administering Title 2, Chapter 15 and Title 3, Subtitle D of the Texas Finance Code, and under Texas Finance Code, particularly subsection (c) which provides that the commission by rule shall establish reasonable and necessary fees for the administration of this chapter and Subtitle D, Title 3.

<rule>

§97.113. Fees and Charges.

(a) Remittance of fees.

(1) Each credit union authorized to do business under the Act shall remit to the department an annual operating fee. The fee shall be paid in semi-annual installments, billed effective September 1 and March 1 of each year. The final installment may be adjusted as provided by subsection (d) of this section. Installments received after September 30 or March 30 of each year will be subject to a monthly 10% late fee unless waived by the commissioner for good cause.

(2) Credit unions that exit the Texas credit union system on or before August 31 or February 28 of a given year, will not be subject to the semi-annual assessment for the period beginning September 1 or March 1, respectively. Only those credit unions leaving the state credit union system prior to the close of business on those dates avoid paying the semi-annual assessment for the period beginning September 1 or March 1, as applicable.

(b) Calculation of operating fees. The schedule provided in this section shall serve as the basis for calculating operating fees. The base date shall be June 30 of the year in which operating fees are calculated. The asset base may be reduced by the amount of reverse-repurchase balances extant on the June 30 base date. The commissioner is authorized to increase the fee schedule once each year as needed to match revenue with appropriations. An increase greater than 5% shall require prior approval of the commission. The commissioner shall notify the commission of any such adjustment at the first meeting of the commission following the determination of the fee schedule.

For Credit Unions with Total Assets Of:

Less than **\$3M [\$200,000]**

[\$200,000 but less than \$1M]

\$3M [\$1M] but less than \$10M
[\$.00034]

[\$10M but less than \$25M]

[\$25M but less than \$50M]

\$10M [\$50M] but less than \$100M
[\$50M]

\$100M but less than \$500M

\$500M but less than \$1,000M

\$1,000M but less than \$2,000M

\$2,000M **but less than \$6,800M [and over]**

\$6,800M and over

The Operating Fee is:

\$1,450 [\$200]

[\$200 plus .001625 of excess over \$200,000]

\$1,450 [\$1,500] plus **.00025**

of excess over **\$3M [\$1M]**

[\$4,560 plus .00014 of excess over \$10M]

[\$6,660 plus .00017 of excess over \$25M]

\$3,200 [\$10,910] plus **.000165**
[\$.00019] of excess over **\$10M**

\$18,050 [\$20,410] plus **.00010**
[\$.000080] of excess over \$100M

\$58,050 [\$52,410] plus **.000082**
[\$.000072] of excess over \$500M

\$99,050 [\$88,410] plus **.000078**
[\$.000069] of excess over \$1,000M

\$177,050 [\$157,410] plus **.000062**
of excess over \$2,000M

\$474,650 plus .00004 of excess over \$6,800M

- (c) Waiver **or reduction** of operating fees. The commissioner is authorized to waive **or reduce** the operating fee for an individual credit union when good cause exists. The commissioner shall document the reason(s) for each waiver **or reduction** of operating fees and report such waiver **or reduction** to the commission at its next meeting.
- (d) Adjustment of an installment. The commissioner in the exercise of discretion may, after review and consideration of actual revenues to date and projected revenues for the remainder of the fiscal year, lower the amount of the final installment due from credit unions.
- (e) Supplemental examination fees.
 - (1) If the commissioner or deputy commissioner schedules a special examination in addition to the regular examination, the credit union is subject to a supplemental

charge to cover the cost of time and expenses incurred in the examination.

(2) The credit union shall pay a supplemental fee of \$50 for each hour of time expended on the examination. The commissioner may waive the supplemental fee or reduce the fee, individually or collectively, as he deems appropriate. Such waiver or reduction shall be in writing and signed by the commissioner. The department shall fully explain the time and charges for each special examination to the president or designated official in charge of operations of a credit union.

- (f) Foreign credit union branches. Credit unions operating branch offices in Texas as authorized by §91.210 of this title (relating to Foreign Credit Unions) shall pay an annual operating fee of \$500 per branch office.
- (g) Credit union conversion fee. A credit union organized under the laws of the United States or of another State that converts to a credit union organized under the laws of this State shall remit to the department an annual operating fee within 30 days after the issuance of a charter by the commissioner. The schedule provided in subsection (b) of this section shall serve as the basis for calculating the operating fee. All provisions set forth in subsection (b) of this section shall apply to converting credit unions with the following exceptions:
 - (1) Should the effective date of the conversion fall on or after October 31, the base date shall be the calendar quarter end immediately preceding the issuance date of a charter by the commissioner.
 - (2) The amount of the operating fee calculated under this section will be prorated based upon the number of full months remaining until September 1. For example, should the effective date of the conversion be January 31, the converting credit union will remit seven-twelfths of the amount of the operating fee calculated using December 31 base date.
 - (3) Any fee received more than 30 days after the issuance of a charter will be subject to a monthly 10% late fee unless waived by the commissioner for good cause.
- (h) Mergers/Consolidations. In the event a credit union in existence as of June 30 merges or consolidates with another credit union and the merger/consolidation is completed on or before August 31, the surviving credit union's asset base, for purposes of calculating the operating fee prescribed in subsection (b) of this section, will be increased by the amount of the merging credit union's total assets as of the June 30 base date.
- (i) Special assessment. The commission may approve a special assessment to cover material expenditures, such as major facility repairs and improvements and other extraordinary expenses.
- (j) Foreign credit union fee for field of membership expansion. A foreign credit union applying to expand its field of membership in Texas shall pay a fee of \$200. This fee shall be paid at the time of filing to cover the cost of processing the application. In addition, the applicant shall pay any cost incurred by the department in connection with a hearing conducted at the request of the applicant.
- (k) Foreign credit union examination fees.
 - (1) If the commissioner schedules an examination of a foreign credit union, the credit union is subject to supplemental charges to cover the cost of time and expenses incurred in the examination.

(2) The foreign credit union shall pay a fee of \$50 for each hour of time expended by each examiner on the examination. The commissioner may waive the examination fee or reduce the fee as he deems appropriate.

(3) The foreign credit union shall also reimburse the department for actual travel expenses incurred in connection with the examination, including mileage, public transportation, food, and lodging in addition to the fee set forth in paragraph (2) of this subsection. The commissioner may waive this charge at his discretion.

- (1) Contract Services. In addition, the commissioner may charge, or otherwise cause to be paid by, a credit union, a foreign credit union or related entities the actual cost incurred by the department for an examination or a review of all or part of the operations or activities of a credit union, a foreign credit union or related entity that is performed under a personal services contract entered into between the department and third parties.

Isabel Velasquez

From: Melodie Durst <mdurst@uhcu.org>
Sent: Monday, December 18, 2023 12:20 PM
To: CUD Email
Subject: Comments on Proposed Amendments to 7 TAC §97.113 Concerning Fees and Charges
Importance: High

**CAUTION: This email originated from outside of the Credit Union Department's email system.
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December 18, 2023

Michael S. Riepen, Commissioner
Texas Credit Union Department
914 E. Anderson Lane
Austin, TX 78742

RE: Comments on Proposed Amendments to 7 TAC §97.113 Concerning Fees and Charges

Dear Commissioner Riepen:

On behalf of the Credit Union Coalition of Texas (Coalition), thank you for the opportunity to comment on the proposed amendments to §97.113 concerning Fees and Charges. The mission of the Coalition is to ensure that Texas credit unions have the legislative and regulatory flexibility to remain competitive and relevant in the marketplace. Our organization represents state and federal credit unions across the state with combined assets of more than \$36 billion and over 2 million credit union members.

For more than two decades, the Coalition has supported the various funding requests for the Texas Credit Union Department (Department) whether working to secure funding through the State's appropriations process or supporting the budget proposals as a self-directed, semi-independent agency (SDSI). As an SDSI agency, the Credit Union Commission (Commission) has the responsibility of adopting a budget that funds the operations of the Department, along with a strategic plan that sets the agency's overall goals and plan to achieve those goals. To reiterate, the Coalition supports the full funding of the Department, however we do have concerns related to the proposed amendments to §97.113.

In August 2023, the Commission adopted the FY 2024 Budget of approximately \$5.5 million which represents a 9.8% increase in agency expense from the prior year operating budget. Further, the FY 2024 Budget reflects an approximate 10.45% revenue increase that includes a \$90,609 Operating Fee Adjustment to help build reserves (i.e., minimum 90 days of operating expense). It's worth noting that the "Summary of Proposed FY 2024 Budget" included in the Commission packet compares revenue and expense to prior year budget, not actual. The actual comparison reflects an increase of 18.61% and 19.92%, respectively. That said, it appears a sizable portion

of previous year budgeted expenses were not incurred therefore resulting in less demand for revenue than was predicted.

It is our opinion; the current rule provides the necessary mechanism for raising sufficient revenue for funding the operations of the Department in an equitable manner for all state credit unions. The reality is, as credit union assets grow, so will the amount that can be raised. Further, the Department has the ability to amend the process or methodology for assessing fees at any time. Should circumstances warrant, the Department can simply reduce or eliminate the longstanding discount of the second assessment thus allowing the Department to retain additional revenue. If our understanding of the current rule and process is inaccurate, we respectfully request the Department properly quantify the expenses that it presumes cannot be covered by the revenue generated by the existing rule.

It's worth noting that the Department also has the authority to issue a special assessment or, if circumstances warrant, utilize the Reserve Fund. While these may not be the Commission's first choice, they are options nonetheless when extraordinary circumstances arise.

Additionally, all regulated entities should contribute to the operations of the Department. The fees paid not only help cover the cost of examinations but overhead costs that should be allocated to each credit union. As drafted, the proposed fee schedule unduly places the majority of the financial burden on approximately one quarter of the credit unions. In addition, the larger credit unions are examined, on average, less often than the smaller asset credit unions and, arguably, proportionately utilize fewer Department resources. Further, the preamble for the proposal fails to provide a clear reason for the change in tiers and how this would avoid potentially significant revenue shortfalls should any of the larger credit unions depart the state system. We respectfully request the Department explain how the various tiers were determined, why certain tiers were eliminated or added, and why or under what circumstances a credit union would not be required to pay a fee.

As part of the 2021 Sunset Review, the Texas Sunset Commission directed the Department to implement a more streamlined and reliable fee assessment policy and process. Although, to our knowledge, the industry has not voiced concern with the current methodology, it would seem the timing is appropriate for the Department to consider potential changes. Absent changes to the policy, the Department should delineate why they are not responding to the Sunset Commission's directive.

In closing, the existing rule has served the industry and the Department well for more than a decade. The proposed amendments to §97.113 have raised numerous questions and concerns on the part of our members. While we do not dispute there are Department priorities and strategic initiatives that are worthy of funding, it is our opinion additional research and analysis is warranted before moving forward with any changes to the fee schedule. The Department should clearly and concisely articulate in writing why new revenue is needed and how that revenue will be expended. **We strongly request the Commission withdraw the proposed amendments as published, and refer the matter back to the Rules Committee for further analysis and discussion.**

Thank you again for the opportunity to share our thoughts and concerns. I am available to answer any questions you may have.

Sincerely,

Melodie Durst
Executive Director
Credit Union Coalition of Texas
P.O. Box 171089
Austin, TX 78717
Phone: 512-435-4214
Cell: 512-750-3223

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DEPARTMENT'S FY 2024 BUDGET FINANCIAL PERFORMANCE

D. Discussion and Consideration of the Department's FY 2024 Budget and Financial Performance.

BACKGROUND: In 2022 the Commission adopted a strategic plan for Fiscal Years 2023-2027. The \$5.6 million FY 2024 Budget approved by the Commission in August 2023 includes the maintenance and operating budget and capital improvement budget in support of the Strategic Plan.

The following report highlights the Department's FY 2024 financial results for the period ending January 31, 2024. At the end of the five months total expenditures were \$400,105 or approximately 17.9 percent less than budgeted projections. The primary expense category below budget estimates is Professional Services and Fees (\$148,925) as the database conversion costs have not yet been billed. Other below budget items include personnel expenses (\$141,567) and travel expenses (\$65,760).

RECOMMENDED ACTION: No action is anticipated.

Credit Union Department
BY 2024 Budget Analysis
For the Period Ended 1/31/24 Final

	BY 2024 Budget	BY 2024 YTD Budgeted	BY 2024 YTD Actual	Budget Variance	Percent of YTD Budget
REVENUES:					
Operating Income					
Operating Fees	\$5,556,986	\$2,778,493	\$2,809,941	\$31,448	101%
Out-of-State Branch Fees	\$0	\$0	\$9,000	\$9,000	100%
Examination Fees	\$0	\$0	\$0	\$0	
Application Fees	\$0	\$0	\$0	\$0	
Penalties	\$0	\$0	\$3,595	\$3,595	
Other	(\$100,000)	(\$100,000)	(\$100,000)	\$0	
Operating Income Subtotal	\$5,456,986	\$2,678,493	\$2,722,536	\$44,043	102%
Interest Income (Operating Acct)	\$0	\$0	\$72,450	\$72,450	
Interest Income (Contingency Acct)	\$0	\$0	\$25,592	\$25,592	
TOTAL REVENUES - FUNDS AVAILABLE TO COVER EXPENDITURES	\$5,456,986	\$2,678,493	\$2,820,578	\$142,085	105%
EXPENDITURES:					
Personnel Expenses:					
Salaries and Wages	\$3,280,325	\$1,351,469	\$1,233,696	\$117,773	91%
Employee Benefits	\$968,022	\$403,343	\$379,549	\$23,793	94%
Total Personnel Expenses	\$4,248,347	\$1,754,811	\$1,613,245	\$141,567	92%
Travel Expenses:					
In State					
Examinations			\$0		
Training/Conferences			\$13,768		
Meetings			\$85		
Public Forums			\$0		
Other			\$1,946		
Total In-State	\$426,372	\$177,655	\$124,059	\$53,596	70%
Out-of-State	\$25,000	\$10,417	\$3,487	\$6,930	33%
Commission	\$24,000	\$10,000	\$4,765	\$5,235	48%
Total Travel Expenses	\$475,372	\$198,072	\$132,311	\$65,760	67%
Other Operating Expenses:					
Communication/Utilities	\$58,214	\$24,256	\$21,935	\$2,321	90%
Professional Services/Fees	\$420,600	\$175,250	\$26,326	\$148,924	15%
Supplies/Materials	\$58,632	\$24,430	\$10,534	\$13,896	43%
Printing and Reproduction	\$1,000	\$417	\$0	\$417	0%
Repairs/Maintenance	\$29,165	\$12,152	\$1,984	\$10,168	16%
Rentals and Leases	\$4,900	\$2,042	\$1,647	\$395	81%
Other Operating	\$160,757	\$42,399	\$25,741	\$16,657	61%
Total Other Operating Expenses	\$733,268	\$280,945	\$88,167	\$192,778	31%
TOTAL EXPENDITURES	\$5,456,987	\$2,233,828	\$1,833,723	\$400,105	82%
REMAINING FUNDS TO COVER EXPENDITURES (Actuals)			\$986,855		

Credit Union Department
BY 2024 Budget Analysis
For the Period Ended 11/30/23

	BY 2024 Budget	BY 2024 YTD Budgeted	BY 2024 YTD Actual	Budget Variance	Percent of YTD Budget
REVENUES:					
Operating Income					
Operating Fees	\$5,556,986	\$2,778,493	\$2,812,074	\$33,581	101%
Out-of-State Branch Fees	\$0	\$0	\$9,000	\$9,000	100%
Examination Fees	\$0	\$0	\$0	\$0	
Application Fees	\$0	\$0	\$0	\$0	
Penalties	\$0	\$0	\$1,686	\$1,686	
Other	(\$100,000)	(\$100,000)	(\$100,000)	\$0	
Operating Income Subtotal	\$5,456,986	\$2,678,493	\$2,722,760	\$44,267	102%
Interest Income (Operating Acct)	\$0	\$0	\$45,387	\$45,387	
Interest Income (Contingency Acct)	\$0	\$0	\$14,980	\$14,980	
TOTAL REVENUES - FUNDS AVAILABLE TO COVER EXPENDITURES	\$5,456,986	\$2,678,493	\$2,783,126	\$104,633	104%
EXPENDITURES:					
Personnel Expenses:					
Salaries and Wages	\$3,280,325	\$810,881	\$723,466	\$87,415	89%
Employee Benefits	\$968,022	\$242,006	\$224,320	\$17,686	93%
Total Personnel Expenses	\$4,248,347	\$1,052,887	\$947,786	\$105,101	90%
Travel Expenses:					
In State					
Examinations			\$0		
Training/Conferences			\$8,849		
Meetings			\$85		
Public Forums			\$0		
Other			\$1,498		
Total In-State	\$426,372	\$106,593	\$76,413	\$30,180	72%
Out-of-State	\$25,000	\$6,250	\$0	\$6,250	0%
Commission	\$24,000	\$6,000	\$3,002	\$2,998	50%
Total Travel Expenses	\$475,372	\$118,843	\$79,415	\$39,428	67%
Other Operating Expenses:					
Communication/Utilities	\$58,214	\$14,554	\$11,717	\$2,837	81%
Professional Services/Fees	\$420,600	\$105,150	\$16,438	\$88,712	16%
Supplies/Materials	\$58,632	\$14,658	\$4,428	\$10,230	30%
Printing and Reproduction	\$1,000	\$250	\$0	\$250	0%
Repairs/Maintenance	\$29,165	\$7,291	\$970	\$6,321	13%
Rentals and Leases	\$4,900	\$1,225	\$1,062	\$163	87%
Other Operating	\$160,757	\$25,439	\$9,360	\$16,079	37%
Total Other Operating Expenses	\$733,268	\$168,567	\$43,974	\$124,593	26%
TOTAL EXPENDITURES	\$5,456,987	\$1,340,297	\$1,071,175	\$269,122	80%
REMAINING FUNDS TO COVER EXPENDITURES (Actuals)			\$1,711,951		

**DEPARTMENT'S GENERAL BUDGET ASSUMPTIONS AND
PARAMETERS**

E. Budget Assumptions and Parameters to be used in Guiding the Development of the Department's FY 2025 Budget.

BACKGROUND: Finance Code Section 16.003 gives the Commission the exclusive responsibility for approving the Department's budget each year. Since the budget must be adopted at the July meeting, staff is seeking approval of guidelines for developing the FY 2025 budget to present at the July meeting.

RECOMMENDED ACTION: The Department recommends that the Commission adopt the necessary budget policies and guidelines for the FY 2025 budget.

RECOMMENDED MOTION: I move that the Commission adopt the proposed budget assumptions and parameters for FY 2025 as recommended by staff.

BUDGET ASSUMPTIONS FOR BUDGET YEAR 2025

The following broad assumptions will establish the foundation for the development of the Department's Budget Year (BY) 2025 budget and provide a framework to staff and the Commission for setting priorities, determining service levels, and allocating limited financial resources.

1. **Balance Budget** – In accordance with Commission policy, the budget will be balanced using BY 2024 ending reserve balance funds exceeding the aggregate contingency reserves limit.
2. **Contingency Fund Reserve** – The budget will provide for the funding of the Department's Contingency Fund Reserve account, in accordance with the Commission's Reserve Policy.
3. **Contractual Obligations** – The Department intends to meet all contractual obligations. Purchase orders or contracts which were placed and committed prior to the end of Fiscal Year (FY) 2024 for which the requested services performed until after the start of FY 2025 are considered obligated funds. The budget authority for these obligated funds will automatically be carried over to BY 2025 and the BY 2025 budget will be increased by an amount exactly equal to the obligated amount.
4. **Compliance** – The budget shall provide enough funding to continue compliance with all applicable statutes, governmental requirements, administrative rules, and Department policy in regulating and supervising the safety and soundness of credit unions.
5. **Strategic Plan Initiatives** – Consistent with the FY 2025-2029 strategic plan, the budget will provide appropriate funding to implement the delineated initiatives for FY 2025.
6. **Salary and Benefits** – The expenditures for FY 2025 will be based on authorized and existing positions as of April 30, 2024, and include any scheduled salary increases/promotions based on the satisfactory performance and progression of staff. Filled positions will be budgeted at the actual salary for the individual in that position and vacant examiner positions will be budgeted at the base salary level for a Financial Examiner (FE) III position. Vacant office positions and above FEIII level examiner positions will be budgeted at the mid-point of the salary range for the positions. Employee Benefits will be automatically calculated on all salaries with the appropriate benefit rates established for state agencies. The Department will also monitor legislative initiatives which could result in required legislative pay increases for State of Texas employees.
7. **Merit Increases** – To foster, support, and reward outstanding performance and to retain key high performing staff, aggregate merit increase awards

for staff are estimated at an amount equivalent to 4.00% of the total salaries for those positions and will be awarded based on the established merit pay tiers. The corresponding increase in Employee Benefits, resulting from the proposed merit awards, will also be properly reflected in the budget.

8. **Retiree Insurance Cost** – Retiree Insurance Cost are a result of staff retiring from the Department. Changes in retiree insurance costs are anticipated to be allowable budget adjustments.
9. **Inflation Factor** – When rapid inflationary trends occur, the commission may consider an additional funding for merit increase awards (#6 above). No additional inflationary increases are anticipated, except for increases in the cost of utilities and in state staff travel. Increases in utility costs will be based on the prior year ending Consumer Price Index for the U.S. published by the U.S. Bureau of Labor Statistics. In-state travel costs will be adjusted based on the ability of examination staff to complete 30% of its work remotely.
10. **Statewide Indirect Cost** – Statewide indirect cost allocations are a result of a statewide plan established by the Comptroller of Public Accounts. Changes in indirect cost allocations are anticipated to be allowable budget adjustments.
11. **Out-of-State Travel** – Out of state travel related to examinations, conferences, training, or other authorized purposes. Includes travel for office staff to NASCUS and other relevant regulatory related meetings. The annual budget for this category is currently \$25,000.
12. **Commission Travel** – The number of preplanned commission meetings is currently three per year. The budgeted annual travel costs for these meetings are estimated at \$12,000.
13. **Internal Audit Services** – As outlined in the Sunset Advisory Commission's (SAC) report on the Department and the SAC's recommendation, the budget will provide funding for annual audits (i.e., third-party internal audits) of the Department, including other related costs, such as travel, etc.
14. **Electronic Document Management System (EDMS)** – The budget shall provide for the costs associated with the further development and maintenance of our EDMS.
15. **Information Technology** – The budget shall provide enough funding for computer network upgrades and computer equipment replacement in accordance with the Department's technology needs.
16. **Improvements** – The budget shall provide enough funding for scheduled maintenance and repairs in accordance with the Replacement/Capital Improvement Plan.
17. **NASCUS Dues** – The budget shall provide enough funding to accommodate the projected increase in the professional association's dues.

18. **Accreditation Fees** – The budget shall provide enough funding to accommodate the fees associated with the Department’s continued NASCUS accreditation.
19. **Overnight Travel Stipend** – The budget shall provide enough funding to pay examiners an overnight travel stipend in accordance with the qualifying conditions included in the Department’s policy. The stipend will not be considered a one-time merit award and may be paid to the eligible examiners regardless of their last merit pay or promotion action.
20. **Examiners’ Laptops and Support** – The budget will be adequate to provide laddered funding for the replacement of Department laptops (office and field staff) every three years. Under this assumption, up to 12 laptops will be replaced each fiscal year. The budget will also include any additional costs associated with procuring all software licensing, security, and support for the new machines. The Department will exercise diligence and discretion with this assumption and whenever possible, the life of certain laptops may be extended (i.e., from 3 to 4 years, etc.).
21. **Legal Research Tools** – The budget will provide funding to provide the Department’s General Counsel with the funds to obtain the necessary research tools (i.e., Westlaw subscription, etc.) to perform the duties of the position.

STRATEGIC PLAN

F. Approve and Authorize the Submission of the Department's Strategic Plan for Fiscal Years 2025-2029.

BACKGROUND: Section 2056.002 of the Government Code requires state agencies to make a strategic plan for its operations. Each even-numbered year, the Department must issue a plan covering five fiscal years beginning with the next odd-numbered fiscal year.

The proposed FY 2025-2029 Strategic Plan summarizes our analysis of the internal and external environment impacting credit unions and the Department and provides goals and objectives for the next five years. The Strategic Plan is centered on the agency's mission to "supervise, regulate and examine Texas credit unions to safeguard the public interest, protect the financial interests of credit union members and promote public confidence in the credit union industry."

The Strategic Plan highlights the agency's four strategic goals and supporting strategic objectives which reflect the outcome or greater impact of the broader strategic goals.

The four strategic goals for 2025-2029 are to:

1. Ensure a safe and sound state credit union system in Texas;
2. Provide a flexible regulatory framework that enables credit unions to provide a full competitive array of financial services;
3. Safeguard the interest of credit union members; and
4. Develop a professional and motivated staff that provides quality service to the citizens of Texas and supports achievement of the Department's statutory mission.

Further, executive management considered the results of the 2023 Employee Engagement Survey, particularly results regarding job satisfaction, and pay.

The FY 2025 Annual Operating Plan & Budget will provide specific resources to implement the strategic objectives and initiatives outlined in the proposed Strategic Plan. (The Annual Operating Plan & Budget will be considered at the Commission's July meeting.)

CONCEPTUAL FRAMEWORK: The Legislative Budget Board (LBB) and the Governor's Office determine the elements required to be included in each agency's strategic plan. As presented, the Strategic Plan is the final draft, unless the LBB and the Office of the Governor amend previously issued instructions.

RECOMMENDED ACTION: The Department requests that the Commission approve the draft of the FY 2025-2029 Strategic Plan and authorize its submission in the form and at the time prescribed.

RECOMMENDED MOTION: I move that the Commission approve the draft of the Strategic Plan for the Department for the fiscal years 2025-2029 and authorize its submission in the format dictated by the Governor and the LBB.

AGENCY STRATEGIC PLAN

FISCAL YEARS 2025 TO 2029

BY THE

CREDIT UNION DEPARTMENT STATE OF TEXAS

CREDIT UNION COMMISSION OF TEXAS

<u>Commission Member</u>	<u>Dates of Term</u>	<u>Hometown</u>
James L. "Jim" Minge	May 21, 2017 to February 15, 2029	Arlington, Texas
Becky L. Ames	Dec. 8, 2023 to February 15, 2029	Beaumont, Texas
Elizabeth L. "Liz" Bayless	August 8, 2019 to February 15, 2025	Austin, Texas
David Bleazard	April 5, 2022 to February 15, 2027	Katy, Texas
Karyn C. Brownlee	August 8, 2019 to February 15, 2029	Coppell, Texas
Beckie Stockstill Cobb	April 5, 2022 to February 15, 2027	Deer Park, Texas
Cody R. Huggins	Dec. 18, 2023 to February 15, 2029	Georgetown, Texas
David F. Shurtz	August 8, 2019 to February 15, 2025	Hudson Oaks, Texas
Kay Swan	August 8, 2019 to February 15, 2025	Monahans, Texas

DATE OF SUBMISSION: JUNE 1, 2024

SIGNED: _____
Michael S. Riepen, Commissioner

APPROVED: _____
Jim Minge, Commission Chair

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AGENCY MISSION

The mission of the Credit Union Department is to safeguard the public interest, protect the financial interests of credit union members, and promote public confidence in the credit union industry in accordance with TEX. FIN. CODE §15.102.

AGENCY PHILOSOPHY

The Credit Union Department will serve the public, credit unions and their members, exercising the highest standards of regulatory oversight, emphasizing professionalism and personal ethics. The Department will guide credit unions toward continuous improvement in financial strength and effectiveness in the provision of financial services to their members. Supervision and examination will be fairly and consistently administered as appropriate to ensure fiscal integrity of the industry. Preservation of public confidence in credit unions and the protection of members' interests will remain a principal focal point of the agency. This will be accomplished through effective regulation and open communication with credit unions and the general public.

AGENCY OVERVIEW

The Credit Union Department ("Department"), under the oversight of the Credit Union Commission ("Commission"), is charged with assuring the safety and soundness of state-chartered credit unions in Texas. The agency also oversees branches of out-of-state credit unions operating in the state.

AGENCY GOALS AND ACTION PLAN

AGENCY OPERATIONAL GOAL AND ACTION PLAN
<i>Goal 1. To ensure a safe and sound credit union industry.</i>
<p style="text-align: center;">SPECIFIC ACTION ITEMS TO ACHIEVE YOUR GOAL</p> <ol style="list-style-type: none"> 1. Ensure the Department anticipates, understands, addresses, and communicates risk to credit unions. 2. Ensure the Department cooperates with other regulatory authorities on common interests. 3. Develop and deploy supervisory methods and analytical tools appropriately pacing industry and economic changes in the financial services industry.
<p>DESCRIBE HOW YOUR GOAL OR ACTION ITEMS SUPPORTS EACH STATEWIDE OBJECTIVE</p> <ol style="list-style-type: none"> 1. Accountable to tax and fee payers of Texas. <ul style="list-style-type: none"> • Ensuring no state funds are spent on Department operations; as a self-directed, semi-independent agency, the Department's revenue is derived from state-chartered credit unions operating fees and assessments. • Being a prudent steward of its financial resources. • Providing transparency through its reporting. • Establishing the appropriate regulatory framework. • Complying with the examination requirements of 7 TEXAS ADMIN. CODE (TAC) Section 97.105. 2. Efficient such that maximum results are produced with a minimum waste of taxpayer funds, including through the elimination of redundant and non-core functions. <ul style="list-style-type: none"> • Ensuring risk-based supervision is properly implemented and focused on material risks to the industry and individual credit unions. • Identifying emerging risk areas related to industry and individual credit unions. • Working effectively with the NCUA, private share insurance providers, and other state regulators to identify and address risks and emerging issues. • Resolving problem credit unions in a timely fashion, effectively, and when possible, without loss to the share insurance provider. 3. Effective in successfully fulfilling core functions, measuring success in achieving performance measures and implementing plans to continuously improve. <ul style="list-style-type: none"> • Resolving problem credit unions in a timely fashion, effectively, and when possible, without loss to the share insurance provider. • Ensuring risk-based supervision is properly implemented and focused on material risks to the industry and individual credit unions. • Identifying emerging risk areas related to industry and individual credit unions. • Taking prompt and effective enforcement actions when warranted. 4. Providing excellent customer service. <ul style="list-style-type: none"> • Implementing and developing new coordination and collaboration agreements with the NCUA, private share insurance providers, and other applicable state regulators regarding supervisory activities performed in credit unions and information exchange. • Working effectively with the NCUA, private share insurance providers, and other state regulators to identify and address risks and emerging issues. 5. Transparent such that agency actions can be understood by any Texan. <ul style="list-style-type: none"> • Complying with the examination requirements of 7 TAC Section 97.105.

- Implementing and developing new coordination and collaboration agreements with the NCUA, private share insurance providers, and other applicable state regulators regarding supervisory activities performed in credit unions and information exchange.
- Adhering to performance measures.

DESCRIBE ANY OTHER CONSIDERATIONS RELEVANT TO YOUR GOAL OR ACTION ITEM

1. The Department fosters safe and sound credit union practices through regular risk-focused examinations, publication of guidance and policies, ongoing communications with credit union officials, and the review of applications submitted by credit unions to expand activities. When appropriate, the Department has a range of informal and formal enforcement options available to resolve safety and soundness problems identified at these institutions. The Department also devotes resources to administering off-site monitoring programs and to enhance its ability to timely identify emerging safety and soundness issues and trends.
2. Should a situation arise where a noncompliant business is discovered, the Department has statutory authority to take enforcement action against the entity. Disputes are investigated by staff and every attempt is made to bring about a fair resolution. State leadership and other interested parties are routinely provided information about credit unions, and the associated laws, rules, policies, and practices of the Department.
3. This strategic plan reaffirms the Department's mission to ensure that credit unions operate in a safe and sound manner, provide fair access to credit union services, treat members fairly, and comply with applicable laws and rules. The plan presents a vision in which the Department is a preeminent agency that adds value through proactive and risk-based supervision, is sought after as a source of knowledge and expertise and promotes a vibrant and diverse credit union system that benefits the Texas economy. To succeed in that mission and achieve that vision, the Department commits itself to the core values of integrity, expertise, collaboration, and independence—values that always have been the bedrock of the Department's culture.
4. The Department works closely with federal and other state regulators to provide credit unions seamless supervision, minimal disruption and costs, and effective use of resources. The Department continues its collaboration with the National Credit Union Administration (NCUA) started in 2003. The program results in more efficient and less burdensome examinations for credit unions.

AGENCY OPERATIONAL GOAL AND ACTION PLAN

Goal 2. To provide a flexible regulatory framework that enables credit unions to provide a full array of competitive financial services.

SPECIFIC ACTION ITEMS TO ACHIEVE YOUR GOAL

1. Ensure each Commission rule is current, clearly written, and necessary for an effective supervisory process.
2. Support credit union efforts to remain competitive and viable, consistent with safety and soundness implications.

DESCRIBE HOW YOUR GOAL OR ACTION ITEMS SUPPORTS EACH STATEWIDE OBJECTIVE

1. Accountable to tax and fee payers of Texas.
 - Ensuring no state funds are spent on Department operations; as a self-directed, semi-independent agency, the Department's revenue is derived from state-chartered credit unions operating fees and assessments.
 - Being a prudent steward of its financial resources.

- Providing transparency through its reporting.
 - Drafting, amending, and implementing rules to fulfill Legislative directives and to ensure relevance to current marketplace conditions.
 - Implementing rulemaking through successful collaboration and consultation with interested parties.
 - Communicating attributes of the state charter within and outside the Department.
 - Implementing and maintaining processes for prompt screening of applications.
2. Efficient such that maximum results are produced with a minimum waste of taxpayer funds, including through the elimination of redundant and non-core functions.
 - Drafting, amending, and implementing rules to fulfill Legislative directives and to ensure relevance to current conditions.
 - Developing and modernizing attributes of the credit union charter and the role and status of the industry.
 - Enhancing communication with the NCUA and other state regulators to facilitate better coordination on issues affecting credit unions.
 - Implementing and maintaining processes for prompt screening of applications.
 - Enhancing existing technology solutions that support effective application operations.
 3. Effective in successfully fulfilling core functions, measuring success in achieving performance measures and implementing plans to continuously improve.
 - Meet or exceed performance measures.
 - Conducting the mandatory rule review in accordance with Commission's approved plan.
 - Implementing and maintaining processes for prompt screening of applications.
 - Establishing policies and procedures that provide clear and comprehensive guidance.
 - Enhancing existing technology solutions that support effective application operations.
 4. Providing excellent customer service.
 - Accessible staff who are a resource for consumers and the regulated industry.
 - Supporting the continued recognition of the attributes of the state credit union charter through appropriate opinions and rules.
 - Investigate and resolve customer complaints in a timely manner.
 - Establishing policies and procedures that provide clear and comprehensive guidance.
 - Enhancing existing technology solutions that support effective application operations.
 - Providing useful information for consumers and the regulated industry on the Department's website.
 5. Transparent such that agency actions can be understood by any Texan.
 - Adhering to performance measures.
 - Implementing rulemaking through successful collaboration and consultation with interested parties.
 - Communicating attributes of the state charter within and outside the Department.
 - Establishing policies and procedures that provide clear and comprehensive guidance.

DESCRIBE ANY OTHER CONSIDERATIONS RELEVANT TO YOUR GOAL OR ACTION ITEM

1. The Department places a high priority on its responsiveness to inquiries, requests, and complaints from citizens, members, credit unions, public officials, and other state and federal governmental entities. Pursuant to statute, the Department accepts complaints against credit unions and reviews them for potential violations of applicable laws or rules. When the Department receives complaints, credit unions are contacted and given an opportunity to respond to a member's concern or inquiry. Member complaints have increased over the last five years and the Department expects this trend to

continue. In fiscal year 2017, the Department resolved 280 complaints, rising to 338 in 2018, 376 in 2019, declining to 344 in 2020 and 323 in 2021, and then rising again to 344 in 2022 and 400 in 2023. Through its response to these complaints and inquiries, the Department attempts to help members better understand their rights and responsibilities under applicable laws and regulations. The Department monitors the level of satisfaction with its responses to member complaints and inquiries.

2. The Department works closely with federal and other state regulators to provide credit unions seamless supervision, minimal disruption and costs, and effective use of resources. The Department continues its collaboration with the National Credit Union Administration started in 2003. The joint program results in more efficient and less burdensome examinations for credit unions.
3. The Department cooperates with the Financial Crimes Enforcement Network (“FinCEN”) and numerous other federal agencies to monitor compliance with the BSA/AML and USA Patriot Act and other laws governing credit unions. The rise in popularity of virtual or digital currencies has the attention of federal and state regulators for many reasons including money-laundering concerns. FinCEN has issued guidance which labels certain digital currency entities as money transmitters and requires them to implement AML programs.

AGENCY OPERATIONAL GOAL AND ACTION PLAN

Goal 3. To safeguard the interest of credit union members.

SPECIFIC ACTION ITEMS TO ACHIEVE YOUR GOAL

1. Ensure consumer complaints are processed in a timely fashion and investigated appropriately.
2. Encourage credit union involvement in providing financial services in underserved communities.

DESCRIBE HOW YOUR GOAL OR ACTION ITEMS SUPPORTS EACH STATEWIDE OBJECTIVE

1. Accountable to tax and fee payers of Texas.
 - Ensuring no state funds are spent on Department operations; as a self-directed, semi-independent agency, the Department’s revenue is derived from state-chartered credit unions operating fees and assessments.
 - Being a prudent steward of its financial resources.
 - Providing transparency through its reporting.
 - Drafting, amending, and implementing rules to fulfill Legislative directives and to ensure relevance to current conditions.
 - Reinforcing the importance of fair and honest treatment of credit union members through appropriate supervisory and enforcement action.
 - Supporting the efforts of credit unions to expand their fields of membership to include underserved and low-income communities.
2. Efficient such that maximum results are produced with a minimum waste of taxpayer funds, including through the elimination of redundant and non-core functions.
 - Supporting the efforts of credit unions to expand their fields of membership to include underserved and low-income communities.
3. Effective in successfully fulfilling core functions, measuring success in achieving performance measures and implementing plans to continuously improve.
 - Strengthening role in addressing member privacy, information security, and identity theft.
 - Supporting the efforts of credit unions to expand their fields of membership to include underserved and low-income communities.

4. Providing excellent customer service.

- Strengthening role in addressing member privacy, information security, and identity theft.
- Supporting the efforts of credit unions to expand their fields of membership to include underserved and low-income communities.

5. Transparent such that agency actions can be understood by any Texan.

- Reinforcing the importance of fair and honest treatment of credit union members through appropriate supervisory and enforcement action.

DESCRIBE ANY OTHER CONSIDERATIONS RELEVANT TO YOUR GOAL OR ACTION ITEM

1. Through its response to the complaints and inquiries, the Department attempts to help members better understand their rights and responsibilities under applicable laws and regulations. The Department monitors the level of satisfaction with its responses to member complaints and inquiries.
2. The National Association of State Credit Union Supervisors ("NASCUS") has established accreditation standards for credit union supervision and regulation. Patterned after university accreditation, the accreditation process requires a comprehensive review of all factors needed to have a fully functional regulatory agency. The Department has been continuously accredited by NASCUS since 1996. Every year, the accreditation committee of NASCUS requires updated information to maintain accredited status; a full-scale re-accreditation occurs on-site every five years, which for the Department occurred in 2021. Accreditation provides the Department with national recognition among its peers and professional respect from the institutions it regulates.

AGENCY OPERATIONAL GOAL AND ACTION PLAN

Goal 4. To develop a professional and motivated staff that provides quality service to the citizens of Texas and supports achievement of the Department's statutory mission.

SPECIFIC ACTION ITEMS TO ACHIEVE YOUR GOAL

1. Ensure the Department maintains a competent, highly motivated, and diverse workforce in a fair and inclusive work environment.
2. Ensure the Department is an efficient, effective, and ethical organization.
3. Ensure the Department's resource decisions and operations reflect sound financial, security, and risk management principles.

DESCRIBE HOW YOUR GOAL OR ACTION ITEMS SUPPORTS EACH STATEWIDE OBJECTIVE

1. Accountable to tax and fee payers of Texas.
 - Ensuring no state funds are spent on Department operations; as a self-directed, semi-independent agency, the Department's revenue is derived from state-chartered credit unions operating fees and assessments.
 - Being a prudent steward of its financial resources.
 - Providing transparency through its reporting.
 - Drafting, amending, and implementing rules to fulfill Legislative directives and to ensure relevance to current marketplace conditions.
 - Maintaining a comprehensive Equal Employment Workforce Plan.
 - Ensuring compliance with laws, rules, and stewardship of its resources through program evaluations and a quality management framework.
 - Ensuring compliance with the rules, policies and procedures for ethical conduct by its employees.
 - Achieving reliable, accurate and timely financial resources management information.

2. Efficient such that maximum results are produced with a minimum waste of taxpayer funds, including through the elimination of redundant and non-core functions.
 - Executing an aggressive recruiting and comprehensive training strategy for new entry-level examiners.
 - Developing proactive initiatives focused on the retention of employees, including addressing pay differentials for examiners to bring base pay more in line with the examiner pay at other regulatory agencies, maintaining staffing to achieve the ideal level of 160 to 170 exam days annually for each examiner, mentoring, employee feedback, incentives, and recognition programs.
 - Creating a leadership development program to support and enhance management succession.
 - Ensuring compliance with laws, rules, and stewardship of its resources through program evaluations and a quality management framework.
 - Ensuring reliable, secure, modern information technology systems are in place in support of an environment that meets the Department's mission, goals, and objectives.
 - Ensure that ongoing training for examiners keeps pace with industry needs in areas such as information technology, member business loans, asset-liability management, compliance, etc.
 - Achieving reliable, accurate and timely financial resources management information.
 - Implementing security controls to mitigate risk and to protect confidential information.
 - Improving contingency planning for business continuity, including information technology recovery, compliance with Homeland Security requirements, and crisis management strategies.
3. Effective in successfully fulfilling core functions, measuring success in achieving performance measures and implementing plans to continuously improve.
 - Executing an aggressive recruiting and comprehensive training strategy for new entry-level examiners.
 - Developing proactive initiatives focused on the retention of employees, including addressing pay differentials for examiners to bring base pay more in line with the examiner pay at other regulatory agencies, maintaining staffing to achieve the ideal level of 160 to 170 exam days annually for each examiner, mentoring, employee feedback, incentives, and recognition programs.
 - Creating a leadership development program to support and enhance management succession.
 - Maintaining a comprehensive Equal Employment Workforce Plan.
 - Ensuring compliance with laws, rules, and stewardship of its resources through program evaluations and a quality management framework.
 - Ensuring compliance with the rules, policies and procedures for ethical conduct by its employees.
 - Ensuring reliable, secure, modern information technology systems are in place in support of an environment that meets the Department's mission, goals, and objectives.
 - Ensure that ongoing training for examiners keeps pace with industry needs in areas such as information technology, member business loans, asset-liability management, compliance, etc.
 - Leveraging technology, with a focus on information management initiatives, such as records and knowledge management.
 - Implementing security controls to mitigate risk and to protect confidential information.
 - Improving contingency planning for business continuity, including information technology recovery, compliance with Homeland Security requirements, and crisis management strategies.
 - Achieving reliable, accurate and timely financial resources management information.
4. Providing excellent customer service.
 - Developing proactive initiatives focused on the retention of employees, including addressing pay differentials for examiners to bring base pay more in line with the examiner pay at other regulatory agencies, maintaining staffing to achieve the ideal level of 160 to 170 exam days annually for each examiner, mentoring, employee feedback, incentives, and recognition programs.

- Ensuring compliance with laws, rules, and stewardship of its resources through program evaluations and a quality management framework.
- Ensuring compliance with the rules, policies and procedures for ethical conduct by its employees.
- Ensuring reliable, secure, modern information technology systems are in place in support of an environment that meets the Department's mission, goals, and objectives.
- Ensure that ongoing training for examiners keeps pace with industry needs in areas such as information technology, member business loans, asset-liability management, compliance, etc.
- Achieving reliable, accurate and timely financial resources management information.

5. Transparent such that agency actions can be understood by any Texan.

- Developing proactive initiatives focused on the retention of employees, including addressing pay differentials for examiners to bring base pay more in line with the examiner pay at other regulatory agencies, maintaining staffing to achieve the ideal level of 160 to 170 exam days annually for each examiner, mentoring, employee feedback, incentives, and recognition programs.
- Maintaining a comprehensive Equal Employment Workforce Plan.
- Ensuring compliance with laws, rules, and stewardship of its resources through program evaluations and a quality management framework.
- Ensuring compliance with the rules, policies and procedures for ethical conduct by its employees.
- Achieving reliable, accurate and timely financial resources management information.

DESCRIBE ANY OTHER CONSIDERATIONS RELEVANT TO YOUR GOAL OR ACTION ITEM

- The Commission sets the spending limits of the Department. As a SDSI agency, the Department continues to be self-funding and no General Revenue Funds are used to support its operation.
- Financial crimes consist of several broad categories such as fraud, money laundering, and corruption with many subcategories such as terrorist financing, identity theft, kickbacks, and bribery. The United States government has powerful tools to pursue financial criminals and the framework to force credit unions into compliance with a wide range of laws, such as the Bank Secrecy Act/Anti-Money Laundering and USA Patriot Acts. Financial crimes are a threat for credit unions and the Department alike. Having a knowledgeable and trained staff that understands the risks and how they can be managed is essential.
- No single factor is more critical to the Department's ability to accomplish its mission and to its success than its staff. Acquiring, developing, and retaining a competent workforce continues to be one of the Department's top priorities and is one of its four strategic goals. At the same time, and similar to the rest of state government, significant internal and external factors affect the Department's current and future workforce, challenging the Department's ability to ensure that its staff is well trained, skilled, and capable of meeting the needs of the rapidly changing and growing complex industry.
- The Department operates and maintains its only office in Austin. Agency examiners work from their residences, located primarily in the Dallas/Fort Worth, Houston and Austin metropolitan areas. Because credit unions are located throughout the state, examiners may be required to travel extensively in examining credit unions with overnight travel of approximately 20 to 40 percent. Given the amount of potential travel, stationing field staff in these three metropolitan areas helps to minimize travel-related costs. The Department is solely responsible for the upkeep and maintenance of the Credit Union Department Building. Each year during the budgeting process, the Commission reviews and approves any necessary maintenance, major repairs, and long-term improvements.

REDUNDANCIES AND IMPEDIMENTS

The agency does not have any services, state statutes, and state rules or regulations applicable to the agency that may result in barriers to the economic prosperity of Texans or make the agency less effective and efficient in achieving its core mission and merit additional executive and legislative review nor does the agency have any state services, state laws, and state regulations administered by the agency that are redundant, distract from the core mission of the agency, and/or produce workload costs for agency staff or regulated entities that may exceed the initial time, cost, or effort assumptions that existed when the law or regulation was implemented.

The statutes pertaining to the operation of the Department and the regulation and supervision of Texas state-chartered credit unions are considered comprehensive and current, and correctly delineate the Department's responsibilities and authorities. TEX. FIN. CODE §§15.103 and 15.405, require the Department to periodically study the credit union statutes of the state and report its legislative recommendations to the Legislature for consideration. Notwithstanding these requirements, the Department continually reviews State of Texas statutes pertaining to credit union operations. The Commissioner, with the approval of the Commission, reports the recommendations of the Department as necessary to the Legislature for its consideration (TEX. FIN. CODE §15.405).

REDUNDANCIES AND IMPEDIMENTS (REPEAT SECTION AS NECESSARY FOR EACH IDENTIFIED REDUNDANCY AND IMPEDIMENT)	
SERVICE, STATUTE, RULE, OR REGULATION (PROVIDE SPECIFIC CITATION IF APPLICABLE)	NONE
DESCRIBE WHY THE SERVICE, STATUTE, RULE, OR REGULATION IS RESULTING IN INEFFICIENT OR INEFFECTIVE AGENCY OPERATIONS	N/A
PROVIDE AGENCY RECOMMENDATION FOR MODIFICATION OR ELIMINATION	N/A
DESCRIBE THE ESTIMATED COST SAVINGS OR OTHER BENEFIT ASSOCIATED WITH RECOMMENDED CHANGE	N/A
NATURAL DISASTER-RELATED REDUNDANCIES AND IMPEDIMENTS (IF APPLICABLE)	
SERVICE, STATUTE, RULE, OR REGULATION (PROVIDE SPECIFIC CITATION IF PPLICABLE)	NONE
DESCRIBE WHY THE SERVICE, STATUTE, RULE, OR REGULATION IS RESULTING IN INEFFICIENT OR INEFFECTIVE AGENCY ERATIONS	N/A
PROVIDE AGENCY RECOMMENDATION FOR MODIFICATION OR ELIMINATION	N/A
DESCRIBE THE ESTIMATED COST SAVINGS OR OTHER BENEFIT ASSOCIATED WITH RECOMMENDED	N/A

**AGENCY BUDGET STRUCTURE ELEMENTS
(GOALS, STRATEGIES, MEASURES AND MEASURE DEFINITIONS)
FOR THE 2023–24 BIENNIUM**

AGENCY NAME: Credit Union Department

ELEMENT Identify the current Goal, Strategy, Measure or Measure Definition.	REQUESTED CHANGE	JUSTIFI- CATION FOR REQUESTED CHANGE	LBB OR OOG APPR'D	LBB / OOG COM- MENT	STATUS
Goal 1: A Safe and Sound Credit Union Industry <i>Strategy: Examine Credit Union Operations</i> Outcome Measure: Percentage of Credit Unions Receiving Regular Examination Annually	None	None	NA		NA
Goal 1: A Safe and Sound Credit Union Industry <i>Strategy: Examine Credit Union Operations</i> Outcome Measure: Percentage of Complete Applications Approved or Denied Within 60 Days	None	None	N/A		N/A
Goal 1: A Safe and Sound Credit Union Industry <i>Strategy: Examine Credit Union Operations</i> Outcome Measure: Percentage of Credit Unions with Composite CAMELS Ratings of 1 or 2	None	None	NA		NA
Goal 1: A Safe and Sound Credit Union Industry <i>Strategy: Examine Credit Union Operations</i> Outcome Measure: Percentage of Assets Held in Credit Unions with Composite CAMELS Ratings of 1 or 2	None	None	NA		NA
Goal 1: A Safe and Sound Credit Union Industry <i>Strategy: Examine Credit Union Operations</i> Outcome Measure: Percentage of Credit Unions that are Well-Capitalized as defined by federal statute	None	None	NA		NA
Goal 1: A Safe and Sound Credit Union Industry <i>Strategy: Examine Credit Union Operations</i> Output Measure: Percentage of Reports Mailed to the Office Within 25 Days	None	None	NA		NA

Goal 1: A Safe and Sound Credit Union Industry <i>Strategy: Examine Credit Union Operations</i> Efficiency Measure: Department E-Time Ratio	None	None	NA		NA
Goal 1: A Safe and Sound Credit Union Industry <i>Strategy: Examine Credit Union Operations</i> Outcome Measure: Assets Examined per Examiner Day	None	None	NA		NA
Goal 1: A Safe and Sound Credit Union Industry <i>Strategy: Ensure Efficiency of Examination Method</i> Efficiency Measure: Average time to complete analysis of quarterly financial data	None	None	NA		NA
Goal 2: A Flexible Regulatory Framework <i>Strategy: Provide Oversight of Department Operations</i> Outcome Measure: Percentage of Rule Changes Provided to Credit Unions Within 60 Days After Adoption	None	None	NA		NA
Goal 2: A Flexible Regulatory Framework <i>Strategy: Communicate with the Industry</i> Explanatory Measure: Percentage of interpretations/opinions issued within 30 days	None	None	NA		NA
Goal 3: Protect Credit Union Member Interests <i>Strategy: Investigate and Process Consumer Complaints</i> Efficiency Measure: Percentage of Complaints Investigated and Responded to Within 40 Days of Receipt	None	None	NA		NA
Goal 4: Develop and Maintain Professional Staff <i>Strategy: Maintaining High Quality Staff</i> Explanatory Measure: Percentage of Exam Related Travel Costs Reduced by Remote Work	None	None	NA		NA
Goal 4: Develop and Maintain Professional Staff <i>Strategy: Maintaining High Quality Staff</i> Explanatory Measure: Annual Examiner Turnover Ratio	None	None	NA		NA

Goal 4: Develop and Maintain Professional Staff <i>Strategy: Maintaining High Quality Staff</i> Efficiency Measure: Average Regulated Assets per Examiner (billion)	None	None	NA		NA
Goal 4: Develop and Maintain Professional Staff <i>Strategy: Maintaining High Quality Staff</i> Explanatory Measure: Percentage of Purchases Made from HUBS Vendors	None	None	NA		NA
Goal 4: Develop and Maintain Professional Staff <i>Strategy: Maintaining High Quality Staff</i> Explanatory Measure: Percentage of Credit Unions Indicating Quality Service Annually	None	None	NA		NA
Goal 4: Develop and Maintain Professional Staff <i>Strategy: Maintaining High Quality Staff</i> Explanatory Measure: Staffing Levels	None	None	NA		NA
Goal 4: Develop and Maintain Professional Staff <i>Strategy: Maintaining High Quality Staff</i> Explanatory Measure: Number of Job Fairs Attended	None	None	NA		NA
Goal 4: Develop and Maintain Professional Staff <i>Strategy: Maintaining High Quality Staff</i> Explanatory Measure: Turnover Ratio (excluding retirements)	None	None	NA		NA
Goal 4: Develop and Maintain Professional Staff <i>Strategy: Maintaining High Quality Staff</i> Explanatory Measure: Accreditation by NASCUS Maintained in Good Standing	None	None	NA		NA
Goal 4: Develop and Maintain Professional Staff <i>Strategy: Maintaining High Quality Staff</i> Explanatory Measure: Total Department Costs Relative to Every \$100,000 in Assets Regulated	None	None	NA		NA

Outcome Measure: Percentage of Credit Unions Receiving Regular Examination Annually
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Definition

The number of credit unions examined within an examination cycle of no more than 18 months during the fiscal year, expressed as a ratio of the total number of state-chartered credit unions for same period.

Purpose/Importance

This measure monitors the Department's performance in meeting the Commission's mandate and 7 TEX. ADMIN. CODE §97.105.

Source/Collection of Data

Supporting information regarding each examination is tracked in the Department's internal database.

Method of Calculation

Divide the number of credit unions examined during the reporting period by the total number of credit unions for the same period.

Data Limitations

None

Calculation Type

Non-cumulative

New Measure

No

Target Attainment:

75.0% annual

Outcome Measure: Percentage of Complete Applications Approved/Denied within 60 days
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Definition

The number of complete applications approved or denied not later than the 60th day after the date notice of the applications are published, or after the date the applications are received if notice is not required to be published, expressed as a percentage of all applications approved or denied for the same period. Applications include applications for mergers, for charter conversions (federal to state, state to federal, state credit union to mutual savings associations, and mutual savings associations to state credit unions), for insurance conversions, and for amendments to bylaws and articles of incorporation. If an application is protested, it is not considered complete until responses from all parties have been received.

Purpose/Importance

Finance Code §122.005 requires the Commissioner to approve or disapprove applications not later than the 60th day after the date notice of the application is published, or after the date the application is received if the notice is not required to be published.

Source/Collection of Data

Supporting information regarding each application is tracked in the Department's internal database.

Method of Calculation

Divide the number of complete applications approved or denied not later than the 60th day after the date notice of the application is published, or after the date the application is received if the notice is not required to be published, whichever is later, by the total number of applications approved or denied

during the same reporting period.

Data Limitations

Protests

Calculation Type

Noncumulative

New Measure

No

Target Attainment:

100%

Outcome Measure: Percentage of Credit Unions with Composite CAMELS Ratings of 1 or 2

Definition

The number of credit unions with composite CAMELS rating of 1 or 2 during the applicable period based upon a rating system, expressed as a percentage of the total number of credit unions regulated for the same period.

Purpose/Importance

Measures the financial health of the Texas state-chartered credit unions. Ties directly to a statewide regulatory benchmark.

Source/Collection of Data

Supporting information regarding each examination is tracked in the Department's internal database.

Method of Calculation

Divide the number of credit unions assigned a composite CAMELS rating of 1 or 2 by the total number of credit unions for the same reporting period.

Data Limitations

Limited control over events that could lead a credit union to receiving a lower CAMELS rating.

Calculation Type

Noncumulative

New Measure

No

Target Attainment:

85%

Outcome Measure: Percentage of Assets Held in Credit Unions with Composite CAMELS Ratings of 1 or 2
--

Definition

The consolidated total assets of credit unions with composite CAMELS rating of 1 or 2 as reported in the designated quarterly call report based upon a rating system, expressed as a percentage of the consolidated total assets of all credit unions regulated for the same period.

Purpose/Importance

This informational measure indicates the financial health of the Texas chartered credit union industry. Ties directly to a statewide regulatory benchmark.

Source/Collection of Data

Quarterly financial and statistical Call Report data filed with the Department by each credit union.

Method of Calculation

Divide the consolidated total assets of credit unions assigned a composite CAMELS rating of 1 or 2 by the consolidated total assets of all credit unions for the same reporting period.

Data Limitations

Limited control over events that could lead a credit union to receiving a lower CAMELS rating.

Calculation Type

Noncumulative

New Measure

No

Target Attainment:

95%

Outcome Measure: Percentage of Credit Unions That are Well-Capitalized as Defined by Federal Statute

Definition

A credit union is well capitalized if it has a net worth ratio of seven percent (7%) or greater and meets any applicable risk-based net worth requirements.

Purpose/Importance

Measures the financial health of the Texas state-chartered credit union industry based upon their level of net worth. Ties directly to a statewide regulatory benchmark.

Source/Collection of Data

Quarterly 5300 Call Report data filed with the Department by each credit union.

Method of Calculation

Divide the number of credit unions with a net worth ratio of seven (7%) percent or more by the total number of credit unions for the reporting period.

Data Limitations

Limited control over events that could lead to a credit union's net worth to decline.

Calculation Type

Noncumulative

New Measure

Yes

Target Attainment:

95%

Output Measure: Percentage of Reports to Credit Unions Within 25 Days

Definition

The number of regular examination reports mailed to credit union management within 25 days of the last day on-site at the credit union, expressed as a percentage of the total number of examination reports mailed during the reporting period.

Purpose/Importance

The measure is an indication of the agency's efficiency in reporting examination findings back to the credit union's board of directors and key management.

Source/Collection of Data

Supporting information regarding each examination is tracked in the Department's internal database.

Method of Calculation

Divide the number of reports of examination processed and mailed to credit unions within 25 days after the last day the examiners are on-site by the total number of reports of examination processed for the same period.

Data Limitations

None

Calculation Type

Non-cumulative

New Measure

Yes

Target Attainment:

98%

Efficiency Measure: Department E-Time Ratio
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Definition

The E-Time Ratio is the percentage of all Field Examiners (excluding the Field Supervisors) paid time that is actively spent performing examinations.

Purpose/Importance

This measure assesses efficient usage of Field Examiners' time for the entire Department. The measure also allows the Department to assess efficiency of Field Examiners on an individual basis and by assigned zone (i.e., A, B, C, etc.).

Source/Collection of Data

Tracked from a monthly report generated in the CAPPs time management system. That report identifies the aggregate exam hours for each examiner for the month. This data is input into a monthly e-time spreadsheet, which automatically computes the E-Time Ratio for each Field Examiner, each zone and for all Department Field Examiners. The E-Time Ratio for all field examiners is the performance measurement in the above definition.

Method of Calculation

The E-Time Ratio is computed by taking the Aggregate Exam Hours for a specific period (i.e., monthly, annually, etc.), divided by the Total Hours Available for Examinations for all Field Examiners (excluding Field Supervisors) for the same period.

The Aggregate Exam Hours include all time charged for all regular examination work both on-site and off-site, remedial examination work both on-site and off-site, and all remote examination work. It also includes on-the-job training hours for new Examiners (Assistant Examiners) who have not yet completed six full months (excludes partial months) of examination training. The Total Hours Available for Examinations is the Days Available for Examinations multiplied by the total number of Field

Examiners, multiplied by the work hours (8) in a day. The Days Available for Examinations equals the total number of weekdays (M-F) for the period (i.e., monthly, annually, etc.) being measured, less the number of state and federal holidays which occur on a weekday during the same period.

Data Limitations

None

Calculation Type

Cumulative

New Measure

No

Target Attainment:

65%*

**Will consider increasing ratio to between 68% and 70% with the FY25 Operating Plan and Budget. An increase in remote work has significantly reduced travel time; thus, increasing the aggregate concentration of examination hours to total examination hours available for work.*

Outcome Measure: Assets Examined per Examiner Day
--

Definition

Total assets examined by the Department over the reporting period, divided by the total regular examination days related to those specific examinations.

Purpose/Importance

To assist in review of the efficiency of the Department's examinations, and to benchmark against other regulators.

Source/Collection of Data

Financial information is obtained during each regular examination and is uploaded into the Department's database.

Method of Calculation

To calculate the assets examined per examiner day, run the Regular Exams Received Report for the appropriate fiscal quarter. Divide the sum of the total assets examined by the total examination days, under the header "curr" (Total exam days for the most recent examination).

Data Limitations

Increase in asset size of credit unions due to mergers, consolidations, etc.

Calculation Type

Noncumulative

New Measure

No

Target Attainment:

\$19.5 Million*

**Target increased from \$16.8 Million to \$19.5 Million, based on 95% of actual level realized for FY23. The amount realized for FY23 may have been slightly inflated due to exam staff turnover, which impacted total examination days. An adjustment to the method of calculation for this measure could be necessary for FY25.*

Efficiency Measure: Average Time to Complete Analysis of Quarterly Financial Data
--

Definition

The number of calendar days required for Field Staff to analyze and report to the office their initial risk ratings for credit unions under the Department's jurisdiction based upon the quarterly financial results from the 5300 Call Reports that credit unions submit.

Purpose/Importance

To measure off-site monitoring efficiency. The call reports are a significant tool for the Department in identifying and addressing financial operating changes in a credit union between quarterly reports so that prompt, effective supervisory action can be taken when needed.

Source/Collection of Data

Call report data serves as the basis for the report. Call reports are required to be sent to the Department. Department staff validates each call report received.

Method of Calculation

Credit unions are required by the NCUA to submit their quarterly 5300 Call Reports on or before a certain date, each calendar quarter. That date will be the starting point for purposes of this measure. The date that the Field Supervisors forward their completed reviews of the Financial Performance Report (FPR) dashboard worksheets for their respective zones to the office marks the end date. The elapsed days between the two dates is the measure of performance.

Data Limitations

Turnover of key staff could slow down the review process of Quarterly FPRs.

Calculation Type

Noncumulative

New Measure

Yes

Target Attainment:

Within 40 days*

**Increased from 30 to 40 days in the 2023 Operating Plan and Budget*

Outcome Measure: Percentage of Rule Changes Provided to Credit Unions Within 60 Days After Adoption
--

Definition

The number of new, amended, and readopted rules that are mailed out within 60 days of their final adoption by the Commission.

Purpose/Importance

The measure indicates how quickly credit unions are informed of changes affecting their operations or Department operations.

Source/Collection of Data

The date a new, amended, or readopted rule is adopted, as well as the date the letter of transmittal for the Texas Laws and Regulations for Credit Unions are sent out to credit unions, is entered into a

database, and tracked accordingly.

Method of Calculation

Divide the number of rule changes provided to credit unions within 60 days of the effective date of their adoption by the number of rule changes adopted during the same reporting period.

Data Limitations

None

Calculation Type

Non-cumulative

New Measure

No

Target Attainment:

100%

Explanatory Measure: Percentage of Interpretations and Opinions Issued Within 30 Days of Receipt

Definition

The number of written requests for interpretations and opinions responded to within 30 days of receipts, expressed as a ratio of all requests for interpretations and opinions responded to within the applicable time. A request for an interpretation or opinion must be in writing, must concern an existing statute or Commission rule, and must be responded to by the Commissioner or his designee.

Purpose/Importance

This measure provides an indication of the responsiveness of the Department in handling requests for interpretations and opinions responded to for the applicable period.

Source/Collection of Data

Department staff maintains a correspondence database that flags requests for interpretations or opinions. The database tracks the date correspondence is received, the name of the party from whom it is received, subject of the correspondence, whether it is a request for an interpretation or opinion, the date the Department's response was sent, and the number of days elapsed between the receipt and response dates. The database is updated daily.

Method of Calculation

Divide the number of interpretations and opinions issued within 30 days of receipt by the number of requests for interpretations and opinions responded to for the applicable period.

Data Limitations

If the nature of the request is such that the matter must be referred to the Attorney General's Office, the Department would be unable to respond within 30 days.

Calculation Type

Cumulative

New Measure

Yes

Target Attainment:

100%

Efficiency Measure: Percentage of Complaints Investigated and Responded to Within 40* Days of Receipt
--

Definition

The number of written complaints from credit union members or members of the public, relating to actions or inactions of a state-chartered credit union, which are investigated and responded to in writing within 30 days of receipt of the complaint, expressed as a percentage of all complaints responded to for the applicable time.

Purpose/Importance

This measure provides an indication of the responsiveness of the Department in handling consumer complaints.

Source/Collection of Data

When the Department receives a written complaint, the following information is entered into a database: the date the complaint is received, name of the complainant, the name of the credit union, and the nature of the complaint. When resolved, the date closed and the cost of handling the complaint is entered into the database. The elapse time is then generated by the program.

Method of Calculation

Divide the number of written consumer complaints received and responded to within 30 days of their receipt by the number of consumer complaints responded to during the applicable period. A complaint is considered received once the complainant has provided sufficient information regarding the nature of the complaint for the Department to begin an investigation. The investigation includes obtaining a response from the subject credit union. A complaint is considered closed when the Department has sent a response to the complainant.

Data Limitations

No control over a credit union's response time

Calculation Type

Non-cumulative

New Measure

No

Target Attainment:

95%

**Due to the increasing level of complexity in dealing with member complaints, this performance measure was increased from 30 to 40 days, in conjunction with the Commission's approval of the FY24 Operating Plan and Budget.*

Explanatory Measure: Percentage of Exam Related Travel Costs Reduced by Remote Work
--

Definition

Travel cost savings for performing examinations remotely divided by total examiners' travel costs.

Purpose/Importance

Because turnover results in a less experienced staff, this measure is one indicator of the Department's ability to meet its goals.

Source/Collection of Data

The Department's monthly financial statements will break down examiners' total travel costs, while the monthly time management reports will break down total examination hours. Total examination hours include all time charged to exam hours onsite and offsite, remedial exam hours onsite and offsite, exam remote e-time, and remedial remote e-time.

Method of Calculation

Total examiners' travel costs divided by total examination hours (regular and remedial) to arrive at examiner's average travel cost per examination hour. The average cost is then multiplied by the total hours of examination time performed remotely to compute travel costs savings. Divide the total costs savings amount by the examiners' total travel costs to arrive at the percentage reduction of examination related travel costs.

Data Limitations

None

Calculation Type

Non-cumulative

New Measure

Yes

Target Attainment:

20%

Explanatory Measure: Annual Examiner Turnover Ratio
Definition

The number of examiner resignations (excluding retirements) as a percentage of the number of filled examiner positions.

Purpose/Importance

Because turnover results in a less experienced examination staff, this measure is one indicator of the Department's ability to meet the examination completion-related goals.

Source/Collection of Data

New hires, resignations, and the reasons given for resignations are tracked in a spreadsheet by the Staff Services Officer.

Method of Calculation

Divide the number of examiner resignations (excluding retirements) received during a reporting period by the average number of examiner FTEs for the same period.

Data Limitations

Very limited control over examination staff turnover. Most Resign because of less than competitive salaries and/or travel considerations. Salaries limited by levels in state classification plans and budgetary constraints.

Calculation Type

Non-cumulative

New Measure

Yes

Target Attainment:

<16%

Efficiency Measure: Average Regulated Assets (in billions) per Examiner
--

Definition

The total amount of credit union assets regulated per examiner.

Purpose/Importance

This measure is an indicator of the workload placed on the agency's examination staff.

Source/Collection of Data

Each credit union files a quarterly financial performance report (FPR), which contains various financial reporting schedules and includes the credit union's total assets. The Department pulls an aggregate FPR for the reporting period which includes the total assets for all state-chartered credit unions.

The number of examiners on staff is maintained on the Uniform Statewide Payroll System (USPS) system. Report 21 can be used to verify staff paid each month for the reporting period and to determine the number of examiners.

Method of Calculation

Divide the total assets of state-chartered credit unions by the average number of examiners on staff during the reporting period. Average number of examiners is the cumulative number of examiners on staff (excluding Field Supervisors) at the end of each month, divided by the number of months in the reporting period.

Data Limitations

No control industry asset growth

Calculation Type

Non-cumulative

New Measure

No

Target Attainment:

\$3.0 billion

Explanatory Measure: Percentage of Purchases Made from HUBS Vendors
--

Definition

The number of purchases made from vendors who are designated as a historically underutilized business divided by the number of purchases made for the reporting period. This does not include travel or transactions between agencies. It does include TIBH.

Purpose/Importance

This measure tracks the Department's compliance with Chapter 2161 of the Government Code.

Source/Collection of Data

The Department's Staff Services Officer maintains the list of contracts awarded and which are designated as a HUB.

Method of Calculation

Divide the total number of purchases made from HUBs for the reporting period by the total aggregate number of purchases made by the Department for the reporting period, including TIBH, and excluding

travel and transactions between agencies.

Data Limitations

No control over vendors who may be interested in
Providing services at the lowest cost to the agency.

Calculation Type

Non-cumulative

New Measure

Yes

Target Attainment:

Goals established by
Comptroller's Office

Explanatory Measure: Percentage of Credit Unions Indicating Quality Service Annually
--

Definition

The number of credit unions indicating the Department provides quality service, expressed as a percentage of the number of credit unions responding to that question on the annual survey.

Purpose/Importance

This measure provides an indication of the state-chartered credit union industry's perception of the quality of regulation and supervision received from the Department.

Source/Collection of Data

The Department sends out a survey each March to all state-chartered credit unions. One of the questions asked on the survey is "Do you believe the Department provides your credit union with quality service?"

Method of Calculation

Divide the number of credit unions reporting receipt of quality service from the Department by the number of credit unions responding to that question on the survey.

Data Limitations

Responding to the survey is voluntary. The Department
cannot control the number of responses received.

Calculation Type

Non-cumulative

New Measure

Yes

Target Attainment:

90%

Explanatory Measure: Staffing Levels
--

Definition

Number of actual Full Time Equivalents (FTEs) divided by the number of authorized FTEs.

Purpose/Importance

To ensure the Department is adequately staffed to provide the necessary regulatory oversight of Texas state-chartered credit unions.

Source/Collection of Data

A roster of all actual FTEs is maintained by the Staff Services Officer. Authorized FTEs are detailed in

the Department's Annual Operating Plan and Budget approved by the commission each year.

Method of Calculation

The number of actual FTEs at month-end is divided by number of authorized FTE's for the applicable fiscal year.

Data Limitations

No control over staff turnover

Calculation Type

Non-cumulative

New Measure

No

Target Attainment:

95%

Explanatory Measure: Number of Job Fairs Attended
--

Definition

The actual number of job fairs attended during the fiscal year. Job fairs are events where the Department provides job related information to potential employment candidates.

Purpose/Importance

To assist the Department in identifying potential applicants for examination staff positions. It is imperative for our agency to maintain adequate examiner staffing levels in order that we may provide the necessary regulatory oversight of Texas state-chartered credit unions.

Source/Collection of Data

A monthly training report, which includes job fairs attended, is maintained by the Field Supervisors. The report is submitted monthly to the Executive Assistant to the Commissioner.

Method of Calculation

The Executive Assistant reviews the monthly training report provided by the Field Supervisors and counts the number of job fairs attended.

Data Limitations

None

Calculation Type

Non-cumulative

New Measure

Yes,

Target Attainment:

Two per fiscal year

Explanatory Measure: Turnover Ratio
--

Definition

The number of staff resignations (excluding retirements) as a percentage of the number of staff positions.

Purpose/Importance

Because turnover results in a less experienced staff, this measure is one indicator of the Department's ability to meet its goals.

Source/Collection of Data

New hires, resignations, and the reasons given for resignations are tracked in a spreadsheet by the Staff Services Officer.

Method of Calculation

Divide the number of staff resignations (excluding retirements) received during a reporting period by the total number of staff FTEs for the same period.

Data Limitations

No control over staff turnover

Calculation Type

Non-cumulative

New Measure

No

Target Attainment:

<15%

Explanatory Measure: Accreditation by NASCUS Maintained in Good Standing

Definition

The Department is accredited by the National Association of State Credit Union Supervisors (NASCUS) as of the end of the reporting period.

Purpose/Importance

NASCUS accreditation is a national standard of excellence among credit union regulators. The Department must maintain its accreditation to maintain credibility among federal regulators and the national Congress.

Source/Collection of Data

A certificate of accreditation is awarded to the Department. This is displayed in the reception area of the Department's building.

Method of Calculation

Determine if annual NASCUS accreditation is in good standing. If so, answer "YES".

Data Limitations

None

Calculation Type

Non-cumulative

New Measure

Yes

Target Attainment:

Yes

Explanatory Measure: Total Department Costs Relative to Every \$100,000 in Regulated Assets
--

Definition

The fiscal year costs to operate the Department divided by Regulated Assets (Total regulated assets divided by \$100,000).

Purpose/Importance

This measure compares total operating costs to every \$100,000 of assets being regulated and supervised by the Department to evaluate the reasonableness of the costs of service delivery to the size of the industry under the jurisdiction of the Department.

Source/Collection of Data

The Department's Annual Financial Report (AFR) will serve as the basis for determining the fiscal year costs. The aggregate total of credit union assets used to calculate the operating fees at the beginning of the fiscal year (June 30 Consolidated Financial Performance Report numbers for all Texas chartered credit unions) will serve as the basis for the total assets regulated by the Department for the fiscal year.

Method of Calculation

The numerator for this calculation is the fiscal year costs, and the denominator is the aggregate total of credit union assets divided by \$100,000.

Data Limitations

Could change dramatically if conversion or mergers result in significant changes to regulated assets. Staff turnover or an increase in the risk profile of credit unions requiring increased oversight could also impact the calculation.

Calculation Type

Cumulative

New Measure

Yes

Target Attainment:

\$7.79*

**Target based on FY23 cost of \$7.42/\$100k of regulated assets times 105% during the fiscal year. A high level of remote work has resulted in restricted travel and reduced costs over the last several years. However, projected operating costs in FY24 are expected to increase.*

HUB 7.07 REPORT CREDIT UNION DEPARTMENT 469 INTERNAL ASSESSMENT ON UTILIZATION OF HUBS POLICY COMPLIANCE REPORT

Demonstrating Compliance with HUB Purchasing Requirements

The Department consistently contacts Historically Underutilized Businesses (“HUBs”) for bids on spot purchases and small dollar amount procurements. Due to budget constraints, products and services are obtained from the lowest bidder. In addition to its HUB policy, the Department has a HUB Diversity Plan to ensure that our HUB purchases represent as many different minority and women-owned businesses as possible.

Although the Department has limited opportunities to award contracts, it makes every effort to foster meaningful and substantive inclusion of HUBS in the Department’s procurement processes. In addition, the Department makes every effort to ensure that it makes its purchases from a diverse group within the HUBs.

The Department has adopted a policy to achieve the proportional HUB expenditure targets established by the Texas Comptroller of Public Accounts and monitors its progress toward achieving these goals. The Department reviews this policy annually and the Department has a designated HUB coordinator, its Staff Services Officer.

The Department’s Agency Strategic Plan for 2023-2027 states the Department’s policy is to achieve the proportional HUB expenditure targets established by the Texas Comptroller of Public Accounts. **During fiscal year 2022 and fiscal year 2023, the Department has exceeded its HUB targets in the various categories.**

The total amount of expenditures with HUBs for fiscal year 2023 was \$110,008 and the total amount of non-HUB expenditures was \$83,118. In fiscal year 2022, the total amount of expenditures for HUBs was \$84,556 and the total amount of non-HUB expenditures was \$63,947.

Attached is a copy of the Department’s HUB Consolidated Agency Report for fiscal year 2022 and fiscal year 2023. **Both reports show that the Department exceeded its HUB goals for total HUB expenditures.**

The Department only purchased from three procurement categories: special trade, other services and commodity purchasing. During fiscal year 2022, the Department’s HUB purchases for special trade were 17.93 percent, which was below the stated goal of 32.90 percent, other services were 60.44 percent which was over the stated goal of 26.0 percent and the Department’s HUB commodity purchases were 48.12 percent which was over the stated goal of 21.1 percent. During fiscal year 2023, the Department’s HUB purchases for special trade were 46.94 percent which exceed the stated goal of 32.90 percent, other services were 52.47 percent which was over the stated goal of 26.0 percent and the Department’s HUB commodity purchases were 77.17 percent which was over the stated goal of 21.1 percent.

HUB PARTICIPATION

	FY22	FY23
Total Agency Expenditure	\$148,503	\$193,126
Total Dollar Amount Spent with HUBs	\$84,556	\$110,008
Percent of Total Expenditure Spent with HUBs	56.94%	56.96%
Asian Pacific	\$6,966	\$34,411
Black	\$7,252	\$2,716
Hispanic	\$1,459	\$3,591
Native American	\$0	\$0
Service-Disabled Veteran	\$0	\$0
Woman	\$68,879	\$69,290

Plans to Maintain Compliance

The Department is strongly committed to using HUBs for purchases in future years to maintain its excellent compliance record. The Department will continue to include HUB policies, goals, and programs in its strategic plan. The Department will continue to contact HUBS for bids on spot purchases and small dollar amount procurements. The Department will continue to make a good faith effort to utilize HUBs in contracts for construction, services (including professional and consulting services) and commodities purchases in accordance with 34 TAC §20.13. The Department will continue to meet state reporting requirements and optional reporting requirements for self-directed and semi-independent agencies, such as this reporting requirement. The Department annually updates its HUB policy and will continue to maintain its HUB Diversity Plan to ensure that our HUB purchases represent as many different minority and women-owned businesses as possible.

Although the Department has limited opportunities to award contracts, the Department will continue to make every effort to foster meaningful and substantive inclusion of HUBS in the Department's procurement processes.

SCHEDULE D: STATEWIDE CAPITAL PLANNING

NOT APPLICABLE

SCHEDULE E: HEALTH AND HUMAN SERVICES STRATEGIC PLANNING

NOT APPLICABLE



Credit Union Department Fiscal Year 2025-2026 Workforce Plan

I. Agency Overview

The Department was established as a separate agency in 1969 to supervise and regulate state-chartered unions. This is accomplished through annual examinations of each credit union to ensure enforcement of laws, rules, bylaws, and sound business practices, imposing appropriate administrative sanctions, diligent monitoring between examinations, and aggressive remedial efforts when needed.

The administrative office of the agency is domiciled in Austin, but field examiners are based in Dallas/Fort Worth, Austin, and Houston. The largest percentage of employees are directly associated with the examination process including field examiners, a Director of Examination Support Activities, an Executive Assistant, and the Deputy Commissioner. The remaining positions include the Commissioner, General Counsel, Director of Information Systems and Technology, Network Specialist and supporting staff in Austin (See Appendix B: CUD Organizational Chart).

The Department currently is authorized for 35.0 full time equivalents (FTEs). Further expansion of the workforce may be necessary in FY25 and FY26 due to increases in the complexity and assets of regulated credit unions. Operating fees paid by the credit unions cover all agency expenses, including payments to other state agencies, such as the Office of Attorney General, for services performed.

A. Agency Mission

The mission of the Credit Union Department is to safeguard the public interest, protect the interests of credit union members and promote public confidence in credit unions industry in accordance with TEX. FIN. CODE §15.102.

B. Strategic Goals and Objectives

The Texas Credit Union Department has three main goals, as follows:

Goal A	EFFECTIVE SUPERVISION AND REGULATION
Objective	To effectively supervise and regulate state-chartered credit unions through enforcement of safety and soundness standards and compliance with the Texas Finance Code, and in a manner that balances the interest of the membership and the need for public confidence in the credit union system.
Strategies	<ul style="list-style-type: none">• Examine all credit unions within 18 months of the previous examination.• Take appropriate enforcement action in problem credit unions.• Perform remedial examinations when necessary.• Respond promptly to member complaints.• Respond promptly to requests for interpretations or opinions.• Process applications in a timely manner.

Goal B	ENSURE SAFETY AND SOUNDNESS
Objective	Through interaction with the Credit Union Commission and the Legislature, recommend statutory and rule changes to ensure that credit unions operate in a safe and sound manner in a competitive and ever-changing financial services industry.
Strategies	<ul style="list-style-type: none">• Promulgate new and amended rules.• Recommend statutory changes to the Legislature.• Provide oversight of departmental operations.

Goal C	PROCUREMENT USING HISTORICALLY UNDERUTILIZED BUSINESSES
Objective	To establish and carry out policies governing purchasing and public works contracting which foster meaningful and substantive inclusion of historically underutilized businesses.
Strategies	<ul style="list-style-type: none">• Contact HUB contractors for bid proposals.• Purchase from state contracted HUB providers.

C. Anticipated Changes in Strategies

The agency does not anticipate major changes to its business or workforce strategies. Offsetting the decline in the number of state-chartered credit unions is the increase in total assets of credit unions. Through September 2023, assets of Texas chartered credit unions total \$57.6 billion. In addition, growth in assets of state-chartered credit unions has slowed to a modest 3.18 percent during 2023, compared to rapid growth of 11.66 percent realized during calendar year 2022. The decline in asset growth is primarily a result of two factors, as follows: 1) a large Texas chartered credit union converting to a federal charter during late 2022; and 2) a reduced reliance in non-core funding to meet member withdrawal and loan demand needs. Furthermore, as the current interest rate environment normalizes as it pertains to frequency of rate changes, it is anticipated that deposit and asset

growth trends will return to historical, pre-pandemic levels, which will provide Texas chartered credit unions the opportunity to further strengthen their net worth ratios.

Using a risk-focused examination process, examiners give additional attention to the areas of operation that have been identified in a risk assessment. Because of the disparity in the size and complexity of credit unions, examiners remain generalists in terms of their expertise. However, each examiner is assigned a discipline (lending, investments, internal controls, compliance, information technology, etc.) of the examination process during their first year of employment. Subsequently, they are provided with more specific training in their discipline. The area of discipline for each examiner is assigned based on each examiner's preference and the availability of a discipline.

Due to the increased use of information technology in credit union operations and the critical need for adequate back up and security for these systems, the scope of the reviews for the information technology portion of examinations continues to expand. Most credit unions perform third-party information technology audits which the examiners review, and/or are hiring qualified third parties to perform specific information technology functions.

Between 2018 and 2020, the NCUA utilized the Automated Cybersecurity Examination Tool (ACET) to conduct cybersecurity maturity assessments of all federally insured credit unions to determine their cybersecurity preparedness. Over the three-year period, the tool was used on all state-chartered credit unions with over \$100 million in assets. Beginning in 2020, the NCUA began transitioning its priority from performing the ACET assessments to evaluating critical security controls. They also initiated a pilot called Information Technology Risk Examination solution for Credit Unions (InTREx-CU). InTREx harmonizes the IT and Cybersecurity examination procedures shared by the Federal Deposit Insurance Corporation, the Federal Reserve System and many state regulators. The In-TREx-CU pilot ended in August 2022, and was replaced with the Information Security Examination (ISE) Tool which is an automated questionnaire that is scalable based on the credit union asset size and services offered. The ISE examination tool is required to be completed for all federally insured credit unions and is currently in use during all Texas state-chartered credit union examinations. Moving forward, it is anticipated that the Department's role in performing these reviews will increase.

II. Current Workforce Profile

A. Critical Workforce Skills

The agency has a core group of qualified employees at the present time. The examiners, which represent most of the Department's employees, must have major course work in accounting, finance, economics, business administration or a job-related field with a minimum of six hours, nine preferred, in accounting (including basic and intermediate accounting). In addition, a minimum grade point average must be met. Other skills that are important to the agency's ability to perform our business function include:

- Financial statement analysis
- Investment analysis
- Proficient oral and written communication
- Investigative
- Loan analysis
- Internal control analysis
- Information technology analysis

The support staff must also possess skills that are critical to the operation of the agency. These skills include:

- Database development and maintenance
- Customer service
- Document processing
- Accounting/Payroll

B. Workforce Demographics

The following profiles the agency's workforce as of August 31, 2023. The agency was authorized 33.0 FTEs for fiscal year 2023. The CUD workforce is comprised of 58.7 percent males and 41.3 percent females. Just under two-thirds, or 65 percent, of the employees are over the age of 40. The average tenure of an agency employee increased during the last two years, from 8.5 to 9.3 years; and the average tenure of the sixteen field examiners at FYE 2023 is 7.6 years, up slightly from the 7.4-year average from two years ago. Seven examiners have been with the Department less than two years, while two examiners have been with the agency between two and less than five years. The remaining ten examiners have been on staff for greater than five years.

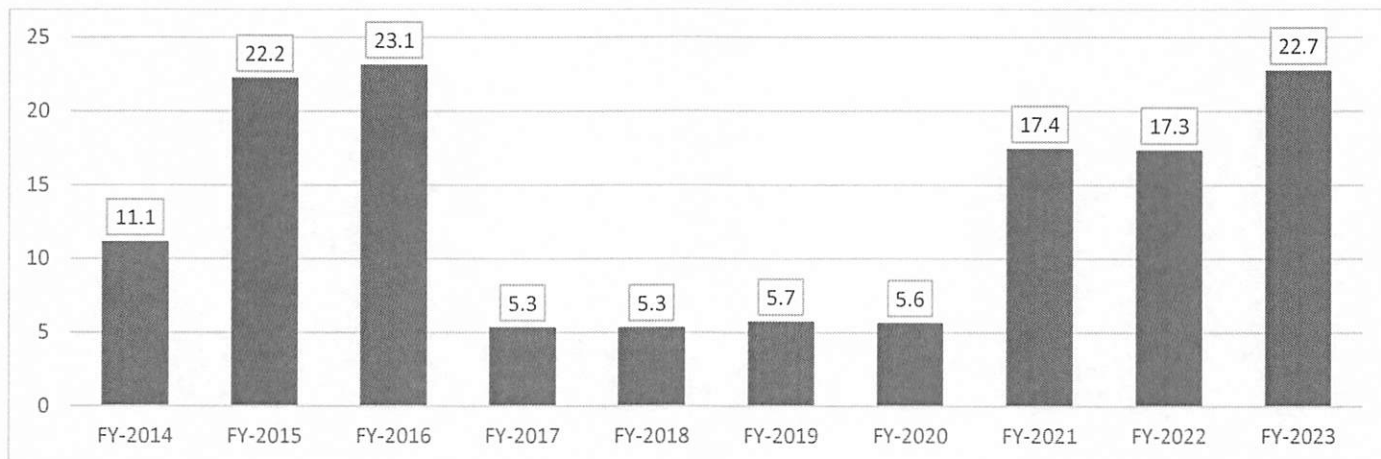
According to a recent U.S. Census Bureau American Community Survey the ethnic breakdown of the Texas workforce is 40 percent Anglo, 12 percent African American, 39 percent Hispanic and 9 percent Other. The 2020 U.S. Census showed a Texas population that was 39.8 percent Anglo, 39.3 percent Hispanic, 11.8 percent African American, and 9.1 percent Other. According to updated Census figures released in June 2023, the Hispanic population in the state of Texas surpassed the non-Hispanic white population during mid-2022.

C. Employee Turnover

Employee turnover is experienced by every business entity or governmental agency. It is costly to continually train new employees, diminishes efficiency of the staff, and adversely affects employee morale. Historically, the Credit Union Department has experienced high examiner turnover rates, attributable to non-competitive salaries, extensive travel requirements, and the nature of the work as a regulatory agency. In addition, examiners with experience of more than 2 to 3 years become attractive to credit unions due to their wide diversity of experiences, and familiarity with credit union laws and regulations. Experienced examiners were also attracted to the National Credit Union Administration (NCUA), the federal regulator, by higher salaries, less travel, and attractive locality adjustments in pay, based on the metroplex area where the examiner is headquartered.

During the ten-year period from FY 2014 to FY 2023, eight examiners (average tenure of 59 months) were hired by credit unions and three examiners (average tenure of 39 months) were hired by NCUA. Another fifteen examiners left employment with an average tenure of 71 months. Two of the fifteen examiners were Field Supervisors who retired after approximately 26 years each with the Department. Excluding those individuals, the average tenure of the other ten examiners who left employment was 34 months.

Examiner Turnover for 10 Years



D. Retirement Eligibility

The agency was created in 1969, but through the years, very few employees have remained with the agency until retirement. Three employees retired in the early 1970s soon after the agency became independent from the Banking Department. Based on available information since 1996, nineteen additional employees have retired from the agency. Four employees retired between 1996-2002, one medically; two employees retired at the end of FY 2003, prompted by the retirement incentive package authorized by the 78th Legislature; and two employees retired in fiscal year 2013. Additionally, since the beginning of FY2015 the pace of retirements within the Department has increased rapidly with eleven employees having retired. Two retired in FY2016, one in FY2017, one in FY2018, one more in FY2019, three in FY2020, two in FY2021, and one in FY2023.

As of the beginning of FY2024, seven employees (6 office and 1 field) are currently eligible for retirement, three more office employees are eligible within one year, one more office employee within two years, and an additional three field examiners are eligible within five years. In total, approximately one-third percent of all budgeted Department positions, including over 70 percent of all office staff, are eligible to retire within two years. Furthermore, 40 percent of all Department staff (office and field) are eligible within five years. Thus, immediate succession planning is critical to ensure the identification, hiring and development of successors for key positions. The inability to staff office positions over the next several years, could create critical deficiencies with Department operations and its ability to provide effective oversight of the Texas Chartered system. To summarize the urgent need of succession planning for the fourteen budgeted office positions, six (43 percent) of the office employees are currently eligible to retire, four (29 percent) more are eligible within two years and one position has not been filled. In addition, of the fourteen allocated office positions, two of the individuals are headquartered remotely in Dallas. The four positions (one vacant) filled by employees who are not eligible for retirement within the next two years, are non-management positions. All office management positions with the Department are currently eligible, or will be eligible, for retirement within two years.

E. Other Considerations

While beginning salaries for examiners have improved noticeably over the last seven years, retention of both entry-level and experienced examiners, particularly for the Financial Examiner (FE) I to V positions continue to be a problem as financial institutions and federal agencies continue to provide higher compensation and benefits and, require less travel. For example, while base salaries for Department examiners are competitive with the levels offered by our federal counterpart (NCUA), the Department is not competitive with the total compensation package they offer. In addition to the base compensation the NCUA pays their field staff, examiners are also provided with a locality pay adjustment based on the metroplex area where they are headquartered. In some instances, this adjustment can exceed 40 percent of their regular pay.

Agency wide, the turnover rate is anticipated to be 5 to 15 percent annually. The Department continues to assess pay levels, other benefits, and work condition enhancements to improve examiner retention.

III. Future Workforce Profile

A. Critical Functions

- Risk based examination program
- Electronic delivery of examinations
- Offsite monitoring
- E-commerce security

B. Expected Workforce Changes

- Increased use of technology to revise and streamline work processes.
- Remote examination work is expected to permanently remain at a level between 40 percent and 60 percent.

C. Anticipated Increase/Decrease in Number of Employees Needed to Do the Work

The FTE count is anticipated to increase by two to three team members over the next two years to ensure continuity of service and provide adequate staffing for:

- The third zone located in the Central Texas region, which was implemented in November 2023,
- To achieve succession planning needs,
- The increasing complexity of credit union examinations,
- The hiring of an examiner trainer to relieve some of the burden of training from the Field Supervisor positions, and
- Expanding the Department's reviews of consumer complaints and implementing a program geared specifically toward comprehensive reviews of consumer compliance,

Increasingly complex information technology and cybersecurity needs of the Department.

D. Future Skills Needed

To effectively perform and process examinations, the agency relies upon a competent and knowledgeable staff. The skills mentioned previously under *Critical Workforce Skills* should be constant for the future; no

immediate new skill requirements are anticipated at this time. As employees gain more tenure and experience, their skills should become more refined; employees whose skills do not significantly improve or expand may not be retained.

IV. Gap Analysis

A. Anticipated Surplus or Shortage of Workers or Skills

After analyzing the workforce information, the Credit Union Department believes that there is one main gap between the agency's workforce supply and demand that needs to be addressed.

1. Attracting and retaining the right employees for the jobs at the Department

- Competing for business majors with at least 6 to 9 hours of accounting,
- Younger employees are not staying with the agency,
- Developing a comprehensive succession plan focused on the identification and development of staff for key positions at the Department, and
- Assuring experienced, well-performing team members of regular salary increases, a competitive compensation and benefit package compared to peers, and an environment focused on a good work/life balance.

V. Strategy Development

Gap	Attracting and Retaining the Right Employees
Goal	Become an employer of choice and offer career opportunities
Rationale	There is a competitive job market for qualified individuals with the skills required to perform the duties of an examiner. The agency will continue to reward exceptional performance within statutory limitations, provide staff development through training opportunities, and provide career opportunities, and support innovation and excellence.
Action Steps	<ul style="list-style-type: none"> • Continue regular pay increases for high performance. • Consistently survey the market for similar positions to ensure the compensation being offered to our staff is competitive. • Allow employees who are seeking new challenges to work on special projects or assign development projects.

Gap	Train and Mentor Employees
Goal	Develop staff where they can progress to key positions, as those key opportunities become available.
Rationale	There is a very high concentration of existing Department employees in key positions who are either eligible for retirement, or will become so, during the next 2 years. The agency must identify high potential staff and provide them with the tools and training necessary to fill key positions which are vacated due to retirement. Those identified as high potential employees must be placed on a fast-track approach for development and know that they have strong career prospects with the

	Department. The agency will continue to reward exceptional performance within statutory limitations, provide staff development through training opportunities, and provide career opportunities, and support innovation and excellence.
Action Steps	<ul style="list-style-type: none"> • Continue regular pay increases for high performance. • Allow employees who are seeking new challenges to work on special projects or assign development projects. • Identify above average performers and put them on a fast-track approach for their career path. • Implement a training approach for high potential staff which focuses on accelerating their development and advancement with the agency.

Given the increasing size and complexity of the credit unions we regulate, the Credit Union Department is anticipating some significant changes regarding examiner staffing and the examination processes during the next 2-3 years. Currently, the agency has only 35.0 authorized FTEs (as of FY 2025), of which 22.0 FTEs are currently allocated for field examiner positions. Furthermore, possible retirements soon could adversely affect the organization, particularly in the office. Within the next 2 months a total of eleven (11) employees, or approximately 31 percent of all Department staff (when fully staffed), will be eligible for retirement. Of these eleven, ten are office team members, meaning that over 70 percent of office staff will be eligible for retirement. Immediate succession planning is critical to ensure the identification of staff for key positions as significant turnover due to retirements appears imminent within the next few years. In addition, the Department needs to devote adequate resources (i.e., trainer) to mentoring and supporting less tenured examiners to ensure they gain the skills and experience to carry out the responsibilities which are needed to progress rapidly with the Department.

STATUS OF THE STATE CREDIT UNION SYSTEM

G. Status of the State Credit Union System.

BACKGROUND: The Texas economy performed well during 2023, although there was a slowdown in job growth and economic activity in the fourth quarter. While the economy has been good in Texas for many years, there are some concerns about a potential recession at both the local and national levels. Further, the Federal Reserve of Dallas reported that revenue for the manufacturing production and service sectors in Texas declined in November 2023. This was the first time that both categories had dropped since May 2020. In addition, wage pressures have been significant in Texas, as wage growth of 5.2 percent outpaced the national average of 4.0 percent, for the year over year period ending October 2023.

On a positive note, the unemployment rate for Texas was 4.0 percent at month-end December 2023, which was a slight decline from the 4.1 percent level for the prior month. The current level is consistent with the 3.9 percent level from twelve months ago. The Texas Workforce Commission reported that Texas ended 2023 with approximately 14,103,300 non-farm jobs, reflecting job growth for the year of 369,900, or 2.7 percent. Texas jobs increased 19,100 during December 2023, marking the 27th consecutive month of employment highs. Also, the unemployment rate for our four metropolitan areas ranged between 3.0 percent and 3.8 percent at year-end, which is below the overall level for Texas. In addition, the unemployment rates for three of our four metropolitan areas remain well below the national average of 3.7 percent.

While the financial performance of Texas credit unions has remained satisfactory during 2023, there has been a weakening of some key financial trends. Specifically, Texas credit unions have experienced a notable uptick in loan delinquencies and losses, as well as a decline in earnings performance. The reduction in earnings has been driven primarily due to increased credit loss expenses, coupled with a rapid rise in operating expenses. However, a rise in funding costs which occurred during 2023 was offset by increased income driven by higher loan and investment yields. One favorable financial trend worth noting has been the ongoing strengthening of net worth ratios for Texas chartered credit unions, as capital growth has outpaced asset growth each of the last two years. Several key trends for Texas state-chartered credit unions are depicted below:

Key Ratio	2018	2019	2020	2021	2022	Dec. 23
Net Worth/Total Assets	10.82	11.11	10.37	10.43	10.84	11.36
Delinquent Loans to Total Loans	0.75	0.71	0.75	0.52	0.61	0.81
Net Charge-Offs to Average Loans	0.68	0.69	0.57	0.36	0.37	0.59
Return on Average Assets	0.88	0.88	0.70	1.08	0.96	0.69

While the performance outlook for Texas industry still appears good, it will remain essential for credit unions to adapt to the ever-changing political events and economic trends to safeguard the financial interests of Texas credit unions and their four million members.

INDUSTRY STATUS: On **December 31, 2023**, there were **167** state-chartered credit unions in Texas, down four charters from one year ago. Total assets in these credit unions are **\$57.67 billion**, an increase of **\$0.68 billion** since **December 31, 2022**, for an annualized growth rate of **1.2 percent**. The average net worth ratio is **11.36 percent**, a 52-basis point increase from **10.84 percent** twelve months ago.

Loans for Texas chartered credit unions totaled **\$42.82 billion** as of **December 31, 2023**. This is an increase of **\$1.15 billion** since **December 31, 2022**, for an annualized growth rate of **2.8 percent**.

Shares for Texas chartered credit unions totaled **\$48.32 billion** as of **December 31, 2023**. This is a slight increase of **\$101.6 million**, or **0.02 percent** since **December 31, 2022**.

Texas chartered credit unions' average loan delinquency ratio has increased **20 basis points** to **0.81 percent** as of **December 31, 2023**, compared to a ratio of **0.61 percent** as of **December 31, 2022**.

As of **December 31, 2023**, **167** state-chartered credit unions reported aggregate net income of **\$397.3 million**. This is a considerable decline from the net income level of **\$541.8 million** at **year-end 2022**.

PROBLEM INSTITUTIONS: As of **December 31, 2023**, there were **25** credit unions assigned a CAMELS rating of 3 or higher, compared to **24** credit unions as of **December 31, 2022**. Credit unions in this category are monitored through a combination of off-site monitoring, regular on-site or remote contacts, and ongoing reviews for compliance with outstanding Documents of Resolution and other supervisory agreements or orders.

ENFORCEMENT ISSUES: The Department had the following administrative sanctions outstanding as of **December 31, 2023**:

Dividend Restrictions	0
LUAs	0
Determination Letters	2
Conservatorships	0
Cease and Desist	1

CHARTERING ACTIVITY

New Charters* **0**

***Since last commission meeting**

RECOMMENDED ACTION: No formal action is anticipated.

ANNUAL RISK ASSESSMENT REPORT

H. Department's Annual Risk Assessment Report for FY 2024 as Required by Section 2102.004, Government Code.

BACKGROUND: Section 2102.013 of the Texas Government Code requires state agencies which meet certain requirements to conduct a formal risk assessment each year and submit the assessment to the State Auditor's Office. The Department has completed the internal risk review and has prepared the required written assessment of the risks for submission to the State Auditor's Office.

RECOMMENDED ACTION: The Department recommends that the Commission approve the 2024 Internal Risk Assessment Report and authorize its submission to the State Auditor's Office.

RECOMMENDED MOTION: I move that the Commission approve the Department's Internal Risk Assessment Report for FY 2024 and authorize its submission to the State Auditor's Office.

Small Agency Risk Assessment - Fiscal Year 2024
Activities from Brainstorming - Credit Union Department

1	perform regular and remedial credit union examinations	13	purchasing (equipment, supplies, services)	25	approve/ deny applications	37	maintain security of office building	49	
2	monitor credit unions	14	report to state agencies	26	pay bills	38	work with federal regulator(s)	50	
3	answer questions from credit unions and public	15	prepare, edit and issue examination reports	27	maintain financial records	39	work with state regulating agencies	51	
4	hire employees	16	manage office paperwork	28	prepare/submit financial reports to applicable parties	40	prepare for new programs	52	
5	maintain employee policies & records	17	comply with state/ federal regulations	29	maintain the agency's server, desktop/laptop computer security	41	maintain NASCUS accreditation	53	
6	manage employees	18	respond to credit union member complaints (of credit union and agency)	30	cybersecurity-raising awareness and educating users	42	maintain building and its infrastructure	54	
7	manage/monitor examiner travel	19	manage computer system, including hardware and software	31	Maintain agency website	43	maintain all agency's asset inventory	55	
8	manage examination schedule	20	issue interpretations and opinions	32	Meet the IT requirements of the agency and all stakeholders	44	maintain agency's consumable supply inventory	56	
9	meet with industry representatives	21	review, revise rules	33	Inventory and maintain database of IT infrastructure and IT assets	45	Maintain Risk Management program	57	
10	hold Commission & committee meetings	22	publishing rules	34	Maintain agency procedures and policies	46	Maintain Continuity of Operations Plan	58	
11	hold public hearings	23	provide new rules to credit unions	35	Report to Legislature	47	Maintain and enforce the Department's Enterprise Information Security Policy	59	
12	report to Commission	24	receive, review, & publish applications	36	draft legislation	48		60	

Small Agency Risk Assessment - Fiscal Year 2024
Consolidated Activities - Credit Union Department

CONSOLIDATED ACTIVITIES		PRIORITIZED CONSOLIDATED ACTIVITIES	
Finance and Accounting		1	Perform Cost-Effective Comprehensive Examinations of Credit Unions
Purchasing		2	Process, Investigate, and Evaluate Applications
IT Infrastructure and cybersecurity		3	Information Technology Infrastructure and cybersecurity
Human Resources Management		4	Finance and Accounting
Process, Investigate, and Evaluate Applications		5	Purchasing
Complaints and Education		6	Human Resources: Develop staff as part of succession plan
Perform Cost-Effective Comprehensive Examinations of Credit Unions		7	Complaints and Education
		8	

Risk Assessment Table - Pre-Controls - Credit Union Department

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Small Agency Risk Assessment - Fiscal Year 2024
Risk Management Table - Credit Union Department
Consolidated Activity

<div> <div>RISKS →</div> <div>CONTROL STEPS ↓</div> </div>	Inconsistent enforcement	Employee turnover/ inexperienced staff/morale issues	Inconsistent exam procedures/ exam integrity	Loss of Agency Credibility	Lack of adequate training for staff	Failure of CUs	Failure to meet deadlines	Loss of CUs as low cost financial institutions	
Standardized exam software program	x		x	x	x	x	x		
Review of all exam reports by Department (random sample reviewed by Field Supervisors)	x		x	x	x	x	x	x	
NASCUS accreditation & annual review	x		x	x	x	x		x	
Joint oversight with deposit insurer	x		x	x	x	x		x	
Training program (including OTJ training and specialized courses)	x	x	x	x	x	x	x	x	
Regular employee performance evaluations	x	x	x	x	x		x		
Quarterly monitoring of CU financial data by both field and office staff	x	x	x	x	x	x		x	
Periodic rule review by Commission	x		x	x		x		x	
Career ladder/merit raises		x		x					
Experienced management oversight	x	x	x	x	x	x	x	x	
Examiner's Guide	x		x	x	x	x		x	
Performance measures	x			x	x		x		
Management information systems	x		x	x	x		x		
Technology tools for field examiners	x	x	x	x	x	x	x	x	

Small Agency Risk Assessment - Fiscal Year 2024
Risk Assessment Table - Post-Controls - Credit Union Department

Risk Assessment Table - Post-Controls - Credit Union Department

[illegible]

Small Agency Risk Assessment - Fiscal Year 2024
Significant Changes in
Risk Assessment - Credit

NEW Activities, Risks, and/or Controls from Prior Year Submission List by Consolidated Activity	

Small Agency Risk Assessment - Fiscal Year 2024
Audit History - Credit Union Department

Fiscal Year Conducted	Type of Audit/Review	Audited/Reviewed Activity	Entity Conducting Audit/Review
2018	Post Payment Audit	Payroll, Purchasing, Procurement and Travel Expenditures compliance with state laws and regulations	Comptroller of Public Accounts
2019	Risk Management Program Review	<ul style="list-style-type: none"> • The SORM-200 data for FY18 was reviewed for completeness and accuracy. • The agency's Annual Report, COOP Plan, Emergency Procedures Manual, Safety & Health Manual, and Personnel Manual were reviewed. • The Risk Evaluation and Planning System Questions (REPS) were reviewed. • SORM reviewed and discussed the following workers' compensation insurance data and claims with CUD during the consultation. • SORM conducted an On-Site Consultation (OSC) of CUD, performing a walkthrough of the agency. 	State Office of Risk Management
2020	SORM Building Risk Management	Credit Union Department building inspection and walk-through. Findings and recommendations were implemented.	State Office of Risk Management
2022	NASCUS accreditation review	Accreditation standards in these five areas: 1. Agency Administration & Finance 2. Personnel and Training 3. Examination 4. Supervision 5. Legislative Powers	The National Association of State Credit Union Supervisors (NASCUS)
2023	Internal audit for the Credit Union Department	Perform internal auditing services for the Credit Union Commission's supervision of the Credit Union Department	External Auditor (Planning phase - Procurement of services)
2023	Risk Management Program Review	To identify the exposures to property and liability losses including workers' compensation losses. Additionally, the State Office of Risk Management is charged with the responsibility of reviewing, verifying, monitoring, and approving risk management programs adopted by state agencies.	State Office of Risk Management (SORM)
2024	Texas Cybersecurity Framework Assessment	To address and manage cybersecurity risk. The TCF is intended to help an organization to better understand, manage, and reduce its cybersecurity risks. Part of the TCF structure is determining the maturity of each security control objective.	Texas Department of Information Resources (DIR)
2024	Internal audit for the Credit Union Department	Perform internal audit services (annual risk assessment, annual audit plan, and an annual audit report) that comply with the Texas Finance Code, the Texas Internal Auditing Act, & other applicable state law. Audit period 9/1/2023-8/31/2024	Weaver & Tidwell, LLP

FY 2025-2028 RULE REVIEW PLAN

I. (I) Discussion of and Possible Vote to Approve the Department's 2025-2028 Rule Review Plan as Required by Section 2001.039, Government Code.

BACKGROUND: Section 2001.39, Government Code, provides that a state agency shall review a rule not later than the fourth anniversary of the date on which the rule took effect and every four years after that date. Further, each agency is required to develop a plan under which the agency will review all of its existing rules. The plan must state for each of those rules the date by which the agency will begin the review required by Section 2001.039, Government Code.

In accordance with that above cited requirement, staff developed the attached schedule for review and consideration.

RECOMMENDED ACTION: The Department recommends that the Commission adopt the rule review plan as presented.

RECOMMENDED MOTION: I move that the Commission approve the four-year plan as presented.

FY 2025 THROUGH FY 2028 RULE REVIEW PLAN

Section	#	Review Type	Scheduled Submission of Proposed Rule to Commission	Scheduled Submission for Final Rule to Commission
Title 7, Part 6, Chapter 97 Subchapter A-F	62	Regular 4 Year Review	Spring 2025	Summer 2025
Title 7, Part 6, Chapter 91 Subchapter A, B, J, L		Regular 4 Year Review	Summer 2025	Fall 2025
Title 7, Part 6, Chapter 91 Subchapter D, M, N		Regular 4 Year Review	Fall 2025	Spring 2026
Title 7, Part 6, Chapter 93 Subchapter A - F		Regular 4 Year Review	Fall 2025	Spring 2026
Title 7, Part 6, Chapter 91 Subchapter G		Regular 4 Year Review	Spring 2026	Summer 2026
Title 7, Part 6, Chapter 95 Subchapter A - D		Regular 4 Year Review	Spring 2026	Summer 2026
Title 7, Part 6, Chapter 91 Subchapter E, F		Regular 4 Year Review	Summer 2026	Fall 2026
Title 7, Part 6, Chapter 91 Subchapter H, I		Regular 4 Year Review	Fall 2026	Spring 2027
Title 7, Part 6, Chapter 91 Subchapter O, K		Regular 4 Year Review	Spring 2027	Summer 2027
Title 7, Part 6, Chapter 91 Subchapter C		Regular 4 Year Review	Spring 2027	Summer 2027

FY 2025 THROUGH FY 2028 RULE REVIEW PLAN

Section	Review Type	Scheduled Submission of Proposed Rule to Commission	Scheduled Submission for Final Rule to Commission
Title 7, Part 6, Chapter 91 Subchapter P, Q	Regular 4 Year Review	Summer 2027	Winter 2027
Title 7, Part 8, Chapter 151	Regular 4 Year Review	Spring 2028	Summer 2028
Title 7, Part 8, Chapter 152	Regular 4 Year Review	Spring 2028	Summer 2028
Title 7, Part 8, Chapter 153	Regular 4 Year Review	Spring 2028	Summer 2028

LITIGATION UPDATE

J. Pending Litigation and Administrative Appeals.

Credit Union Department v. Ken Paxton, Attorney General of Texas, Cause No. D-1-GN-21-007168.

The Credit Union Department is seeking protection from a letter advice ruling by the Attorney General related to an information request under the Public Information Act (PIA). It is an active case in Travis County District Court.

This has been assigned to new counsel with the Office of Attorney General.

RECOMMENDED ACTION: No formal action of the Commission is anticipated.

Cooperative Teachers Credit Union (CTCU) v. Texas Credit Union Department, (Department), SOAH docket 469-23-07487.

CTCU is pursuing administrative appeal of a modified application approval related to a request to expand its geographic field of membership.

A final SOAH hearing has been continued to set for May 13, 2024.

RECOMMENDED ACTION: No formal action of the Commission is anticipated at this time.

FUTURE COMMISSION MEETINGS

K. Next Commission Meeting – The next regular meeting of the Commission has been tentatively scheduled for July 19, 2024.

ADJOURNMENT

FUTURE CREDIT UNION COMMISSION MEETING DATES

Friday, July 19, 2024

Friday, November 1, 2024

Friday, March 21, 2025

All regular scheduled meetings will begin at 9:00 a.m. unless notified differently.

If anyone has conflicts with the proposed dates, please contact Isabel Velasquez at (512) 837-9236.

CREDIT UNION DEPARTMENT

INDUSTRY STATUS

AND

DEPARTMENTAL OPERATION

TEXAS CREDIT UNION DEPARTMENT

Average Salary and Tenure by Race and Sex (ADMIN)

Race	Sex	Annual Salary	Tenure	
ASIAN				
	Summary for F (1 detail record)	\$ 46,350	1.01	Avg
	Summary for 'Race' = ASIAN (1 detail record)	\$ 46,350	1.01	Avg
HISPA				
	Summary for F (2 detail records)	\$ 78,310	24.12	Avg
	Summary for M (2 detail records)	\$ 88,797	4.23	Avg
	Summary for 'Race' = HISPA (4 detail records)	\$ 83,553	14.18	Avg
WHITE				
	Summary for F (2 detail records)	\$ 88,302	1.85	Avg
	Summary for M (5 detail records)	\$ 139,517	14.36	Avg
	Summary for 'Race' = WHITE (7 detail records)	\$ 124,884	10.79	Avg
TOTALS				
	12	\$ 104,563	11.10	Avg

TEXAS CREDIT UNION DEPARTMENT

Average Salary and Tenure by Race and Sex (FIELD STAFF)

Race	Sex	Annual Salary	Tenure	
ASIAN				
	Summary for M (2 detail records)	\$ 88,496	12.07	Avg
	Summary for 'Race' = ASIAN (2 detail records)	\$ 88,496	12.07	Avg
BLACK				
	Summary for F (5 detail records)	\$ 101,478	9.63	Avg
	Summary for M (2 detail records)	\$ 75,217	5.30	Avg
	Summary for 'Race' = BLACK (7 detail records)	\$ 93,975	8.40	Avg
HISPA				
	Summary for F (2 detail records)	\$ 84,330	8.01	Avg
	Summary for M (2 detail records)	\$ 59,418	0.63	Avg
	Summary for 'Race' = HISPA (4 detail records)	\$ 71,874	4.32	Avg
NHOPI				
	Summary for M (1 detail record)	\$ 114,000	8.75	Avg
	Summary for 'Race' = NHOPI (1 detail record)	\$ 114,000	8.75	Avg
WHITE				
	Summary for M (4 detail records)	\$ 75,749	9.76	Avg
	Summary for 'Race' = WHITE (4 detail records)	\$ 75,749	9.76	Avg
TOTALS				
	18	\$ 85,517	8.22	Avg

TEXAS CREDIT UNION DEPARTMENT

Average Salary and Tenure by Race and Sex

Race	Sex	Annual Salary	Tenure	
ASIAN				
	Summary for F (1 detail record)	\$ 46,350	1.01	Avg
	Summary for M (2 detail records)	\$ 88,496	12.07	Avg
	Summary for 'Race' = ASIAN (3 detail records)	\$ 74,448	8.38	Avg
BLACK				
	Summary for F (5 detail records)	\$ 101,478	9.63	Avg
	Summary for M (2 detail records)	\$ 75,217	5.30	Avg
	Summary for 'Race' = BLACK (7 detail records)	\$ 93,975	8.40	Avg
HISPA				
	Summary for F (4 detail records)	\$ 81,320	16.07	Avg
	Summary for M (4 detail records)	\$ 74,107	2.43	Avg
	Summary for 'Race' = HISPA (8 detail records)	\$ 77,714	9.25	Avg
NHOPI				
	Summary for M (1 detail record)	\$ 114,000	8.75	Avg
	Summary for 'Race' = NHOPI (1 detail record)	\$ 114,000	8.75	Avg
WHITE				
	Summary for F (2 detail records)	\$ 88,302	1.85	Avg
	Summary for M (9 detail records)	\$ 111,176	12.32	Avg
	Summary for 'Race' = WHITE (11 detail records)	\$ 107,017	10.41	Avg
TOTALS				
	30	\$ 93,135	9.37	Avg

Credit Union Department
Executive Summary
As of 11/30/23

* Information from call report cycle

ACTIVITY	YTD 2022	YTD 2023	2024 FISCAL YEAR				
			1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	YTD
MOVEMENT PROFILE							
Number of CUs	174	169	168				
Total Assets (Millions)	*59,167	*57,494	* 57,567				
APPLICATIONS (Received)							
Charters	0	0	0				0
Foreign Branches	0	0	0				0
Conversions	2	0	0				0
Mergers	8	2	3				3
Bylaws	59	53	29				29
Articles of Incorporation	4	5	0				0
Total	73	60	32	0	0	0	32
EXAMINATION ACTIVITIES							
Regular	98	79	21				21
Joint	50	59	23				23
Remedial	38	36	7				7
Total	186	174	51	0	0	0	51
ENFORCEMENT ACTIONS (In Force)							
Determination Letters	1	1	1				
LUAs	0	0	0				
Cease & Desist Orders	3	3	0				
Dividend Restrictions	0	0	0				
Conservatorships	1	0	0				
Liquidations	1	1	1				
Total	6	5	2	0	0	0	
PERSONNEL STAFFING							
Field Examiners	17	18	19				
Total Personnel	27	30	31				
FINANCIAL OPERATIONS (In Thousands)							
Budgeted Expenditures	4,902	5,058	1,440				#VALUE!
Actual Expenditures	3,942	4,320	1,071				#VALUE!
Gifts and Bequests	n/a	n/a	n/a				n/a
Actual Revenue	16,145	4,648	2,783				

Note: FY24 budget expenditures for quarters 1-4 was reduced due to transfer of \$100,000 requested by the Commission.

Credit Union Department
Application Activities - Detail

ACTIVITY	4th Qtr 2022	4th Qtr 2023	2024 FISCAL YEAR				
			1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	
CHARTERS							
Pending at Beginning of Period	0	0	0	0	0	0	
Add: New Applications Filed	0	0	0	0	0	0	
Less: Approved	0	0	0	0	0	0	
Denied/Withdrawn	0	0	0	0	0	0	
Pending at End of Period	0	0	0	0	0	0	
FOREIGN BRANCH OFFICES							
Pending at Beginning of Period	2	1	0	0	0	0	
Add: New Applications Filed	0	0	0	0	0	0	
Less: Approved	0	1	0	0	0	0	
Denied/Withdrawn	1	0	0	0	0	0	
Pending at End of Period	1	0	0	0	0	0	
CONVERSIONS							
Pending at Beginning of Period	2	0	0	0	0	0	
Add: Applications Filed	0	0	0	0	0	0	
Less: Approved	0	0	0	0	0	0	
Denied/Withdrawn	0	0	0	0	0	0	
Pending at End of Period	2	0	0	0	0	0	
MERGERS							
Pending at Beginning of Period	5	2	1	0	0	0	
Add: Applications Filed	2	0	3	0	0	0	
Less: Approved	0	1	0	0	0	0	
Denied/Withdrawn	0	0	0	0	0	0	
Pending at End of Period	7	1	4	0	0	0	
BYLAWS							
Pending at Beginning of Period	10	14	20	0	0	0	
Add: Applications Filed	7	10	29	0	0	0	
Less: Approved	16	4	31	0	0	0	
Denied/Withdrawn	0	0	2	0	0	0	
Pending at End of Period	1	20	16	0	0	0	
ARTICLES OF INCORPORATION							
Pending at Beginning of Period	2	0	0	0	0	0	
Add: Applications Filed	0	1	0	0	0	0	
Less: Approved	0	1	0	0	0	0	
Denied/Withdrawn	0	0	0	0	0	0	
Pending at End of Period	2	0	0	0	0	0	

Credit Union Department
Movement Profile - Condition Summary

CAMEL RATING	4th Qtr 2022	4th Qtr 2023	2024 FISCAL YEAR				
			*1st Qtr	*2nd Qtr	*3rd Qtr	*4th Qtr	
1	37	37	35				
2	111	108	110				
3	19	20	20				
4	4	2	3				
5	2	1	0				
Total	173	168	168	#VALUE!	#VALUE!	#VALUE!	

* Information from exam master list

Texas Credit Union Department
Enforcement Actions - Detail

TYPE OF ACTION	In Force 8/31/2022	Issued	Activity Terminated	In Force 8/31/2023	Issued	Activity Terminated	In Force 11/30/2023
Determination Letters	1	1	1	1	1	1	1
LUAs	0	0	0	0	0	0	0
Cease & Desist Orders	3	3	0	3	1	1	3
Dividend Restrictions	0	0	0	0	0	0	0
Conservatorships	1	0	1	0	0	0	0
Liquidations	1	1	0	1	0	0	1
Total	6	5	2	5	2	2	5

Texas Credit Union Department
Examination Activities
Analysis of Current Year

TYPE OF EXAM	Budgeted Number	Actual Number	% Budget	% of Total	% Mailed Within 25 Days
Regular	19	21	111%	13%	100%
Joint	13	23	177%	14%	100%
Remedial	7	7	100%	4%	100%
Total	39	51	131%	33%	100%

Credit Union Department
Movement Profile - Consumer Complaints

CONSUMER COMPLAINTS	YTD 2022	YTD 2023	2024 FISCAL YEAR				
			1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	YTD
Received	355	408	133				133
Closed	343	400	118				118
Avg. Days to Process	17.75	25.05	27.5				27.50
% Resolved in 40 Days	98%	97%	100%				100%

Texas Credit Union Department
Consumer Complaint - Detail

TYPES OF COMPLAINTS	YTD 2022	YTD 2023	2024 FISCAL YEAR				
			1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	YTD
LOAN ISSUES							
Collections/Loans	17	4					0
Denial	2	0					0
Loan Issues	23	62	18				18
Credit Report Issues	68	69	22				22
Insurance - CPI, GAAP, Property, etc	2	4					0
ACCOUNT ISSUES							
Discrimination	7	7					0
Electronic Funds Transfer	7	0	1				1
Holds on Checks	6	15	6				6
Estate/Probate	4	0					0
Fraud/Unauthorized	61	94	25				25
Fees	27	27	9				9
Billing Disputes	40	35	4				4
Other	24	45	24				24
OTHER PRODUCTS/SERVICES							
Account/Loan Balance	14	4					0
Account Closed/Frozen	12	17	6				6
Customer Service	21	8	3				3
Deceptive Advertisement	1	6					0
Vehicle Title	6	3					0
Website Issues	1	0					0
TOTAL	343	400	118	0	0	0	118

Credit Union Department
Merger/Conversion Finalized

ACTIVITY	YTD 2022	YTD 2023	2024 FISCAL YEAR				
			1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	YTD
MERGERS							
Number:							
State-to-State	3	2					0
Federal-to-State	3	2	1				1
State-to-Federal	0	0					0
Total	6	4	1	0	0	0	1
Assets:							
State-to-State	217,230,754	35,995,817					0
Federal-to-State	585,792,596	130,060,407	1,818,673				1,818,673
State-to-Federal	-	-					0
Total	803,023,350	166,056,224	1,818,673	0	0	0	1,818,673
CONVERSIONS							
Number:							
Federal-to-State	1	1	0	0	0	0	0
State-to-Federal	1	0	0	0	0	0	0
State-to-Mutual Bank	0	0	0	0	0	0	0
Assets:							0
Federal-to-State	1,010,685,008	1,099,577,978					0
State-to-Federal	3,541,622,858	-					0
State-to-Mutual Bank							0
Total	4,552,307,866	1,099,577,978	0	0	0	0	0

Credit Union Department
Web Site Statistics
Report Range: 09/01/2023 thru 11/30/2023

		Number
Total Visits:		
Number of Visits		6,014
Visitors		4,010
Page Views		11,350
Number of Repeat Visitors		3,977
Average Pages per Visit		1.89
Average Visit Duration		0:02:53
New Visitors		48.78%
Most Requested Pages:		
Home		3,304
Frequently Asked Questions		836
Texas Rules for Credit Unions		801
File a Complaint Against a Credit Union		595
Job Postings		284
Most Downloaded Files:		
Rules for Credit Unions (PDF)		Not Available
List of Texas State-Chartered Credit Unions (PDF)		Not Available
Finance Code - Unofficial Compilation		Not Available
Newsletter September 2023		Not Available
Reports and Publications		Not Available