



CREDIT UNION COMMISSION MEETING

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

**July 19, 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, July 19, 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 July 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 March 22, 2024, 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 March 22, 2024, be approved as presented.

CREDIT UNION COMMISSION MEETING MINUTES
Credit Union Department Building
914 East Anderson Lane, Austin, Texas
March 22, 2024

A. CALL TO ORDER -- Chair Jim Minge called the meeting to order at 9:03 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. Chair Minge recognized and welcomed our two new commission members Becky Ames and Cody Huggins. General Counsel Karen L. Miller, was in attendance to serve as legal counsel for the commission. 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 (**February 26, 2024 TRD#2024001195**).

❖ **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 (November 3, 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. Mrs. Brownlee moved for approval of the minutes of November 3, 2023, as presented. Mrs. Cobb seconded the motion, and the Commission carried the motion unanimously.

C. ADOPTION OF PROPOSED AMENDMENTS TO RULE 7 TAC, PART 6, CHAPTER 97, SUBCHAPTER B, SECTION 97.113 (FEES AND CHARGES) – Commissioner Riepen reported that the Commission approved amendments to Section 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). The 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 allow the Commissioner to adjust an operating fee (in addition to waiving it), subject to reporting requirements. These adjustments are necessary to fund future budgeted expenditures in technology, training, staffing, and increased reserves, and support the mission of the Department. Furthermore, comments at the November meeting were both against and for the amendments. One written comment against the amendment was received.

Chair Shurtz reported that the Rules Committee met on March 22, 2024, in a public meeting. Mr. Shurtz thanked the Commissioner and the team for a great conversation at the meeting. He reported that a great deal of time was spent understanding what was being accomplished and the Commissioner was gracious to address all the questions and concerns that the Committee had.

After a robust discussion of the Rules Committee, it was decided to spend more time to consider this issue and see how things are with the existing structure and withdraw the rule at this time and revisit it at a later time. Mr. Shurtz moved that the proposed amendments to 7 TAC, Part 6, Chapter 97, Subchapter B, Section 97.113, Fees and Charges be withdrawn. Mrs. Bayless second the motion, and the motion was unanimously adopted.

D. DEPARTMENT'S FY 2024 BUDGET AND FINANCIAL PERFORMANCE – Commissioner Riepen reported that 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. At the end of the five months total expenditure was \$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).

After a brief discussion, the Commission took no action.

E. DEPARTMENT'S FY 2025 GENERAL BUDGET ASSUMPTIONS AND PARAMETERS. Commissioner Riepen explained that the Finance Code, Section 16.003, gives the Commission the 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. Mr. Riepen briefly highlighted the different budget items.

Commission member David Bleazard questioned item **#7 Merit Increases** – staff is proposing the merit increase awards to 4 percent of the total salaries for those positions due in part to higher inflation.

After a short discussion, Mrs. Bayless moved that the Commission adopt the proposed budget assumptions and parameters for FY 2025 as recommended by staff with an increase from 4 percent to 5 percent of total salaries for those positions. Mrs. Cobb seconded the motion, and the motion was unanimously adopted.

F. APPROVE AND AUTHORIZE THE SUBMISSION OF THE DEPARTMENT'S STRATEGIC PLAN FOR FISCAL YEARS 2025-2029.

Commissioner Riepen reported that Section 2056.002 of the Government Code requires that every two years each agency must submit a formal strategic plan that covers a prescribed 5-year horizon (FY 2025-2029). Mr. Riepen further reported that this 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. Mr. Riepen noted that 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 four strategic goals for 2025-2029 are to:

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

After a brief discussion, Mr. Bleazard moved that the Commission approve the proposed Fiscal Year 2025-2029 Strategic Plan and authorize its submission in the format dictated by the Governor and the LBB. Mrs. Swan seconded the motion, and the motion was unanimously adopted.

G. STATUS OF THE STATE CREDIT UNION SYSTEM – Deputy Commissioner Etheridge briefly indicated the Texas economy remains safe and sound, although we did have a few financial performance trends that did decline

during the latter half of the year. Specifically, loan delinquencies and loan losses increased during the latter portion of the year, and we had a decline that was noted in earnings performance for credit unions as well. However, while we did have some declining financial trends, our system does remain sound. It is important to note that net worth ratios at year end 2023 strengthened noticeably as net worth growth outpaced asset growth. While the performance outlook for Texas industry still appears good, it will remain essential for credit unions to adapt to ever-changing political events and economic trends to safeguard the financial interests of Texas credit unions and their four million members.

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

H. DEPARTMENT'S ANNUAL RISK ASSESSMENT REPORT FOR FY 2024 AS REQUIRED BY SECTION 2102.004, GOVERNMENT CODE – Commissioner Riepen reported that Section 2102.03 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.

After a brief discussion, Mrs. Cobb moved that the Commission approve the Department's Internal Risk Assessment Report for FY 2024 and authorize its submission to the State Auditor's Office. Mr. Shurtz seconded the motion, and the motion was unanimously adopted.

I. APPROVE THE DEPARTMENT’S 2025-2028 RULE REVIEW PLAN AS REQUIRED BY SECTION 2001.039, GOVERNMENT CODE.

Commissioner Riepen reported that each state agency is required to develop a four-year plan under which the agency will review all its existing rules to comply with the provisions of the Texas Government Code, Section 2001.039.

After a short discussion, Mr. Shurtz moved that the Commission approve the four-year plan as presented. Mrs. Swan seconded the motion, and the motion was unanimously adopted.

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

K. AGENDA ITEMS, ARRANGEMENTS, AND DATES. Chair Minge inquired if anyone had any suggested agenda items for our July 19th meeting. No requests were received.

ADJOURNMENT – There being no further business for the Credit Union Commission, Chair Minge adjourned the meeting at 10:00 a.m.

Jim Minge
Chairman

Isabel Velasquez
Recording Secretary

Distribution:

Legislative Reference Library

FOLLOW-UP ACTION REPORT CREDIT UNION COMMISSION MEETINGS

MINUTES DATE AND REFERENCE/TOPIC	FOLLOW-UP ACTION REQUIRED	STATUS (As of 06-20-2024)
<u>March 22, 2024</u>		
7 TAC, Part 6, Section 97.113 Fees and Charges	Published in <i>Texas Register</i> withdrawing the proposed rule from publication.	Published in <i>Texas Register</i> on 04/12/2024.

C

FY 2024 INTERNAL AUDIT REPORT

C. (1) Discussion of the FY 2024 Internal Audit Report and Possible Vote that the Commission Accept the Report and Authorize its Submission to the State Auditor's Office.

BACKGROUND: In August of 2023 the Commission approved an Internal Audit Charter and Plan, reviewing different high risks operations in successive years. An internal audit has been conducted for FY 2024 of the Credit Union Department's examination process.

RECOMMENDED ACTION: The Committee recommends that the Commission approve the FY 2024 Internal Audit Report and its Submission to the State Auditor's Office.

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

Texas Credit Union Department

Internal Audit Report over Credit Union Examinations

June 24, 2024

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Commissioners of the
Texas Credit Union Department
914 E Anderson Ln,
Austin, TX 78752

This report presents the results of the internal audit procedures performed for the Texas Credit Union Department (CUD) during the period March 12, 2024, through June 24, 2024, relating to Credit Union Examination process and reports.

The objectives of this internal audit were to evaluate the design and effectiveness of CUD's Credit Union Examination Process and Reports as follows:

- A. Determine whether internal controls over examination process and reports are designed to ensure that consistent processes are implemented and designed effectively to address the risks within the associated sub-processes and to ensure effective operations.
- B. Ensure that controls over examination process and reports are operating efficiently, effectively, and resulting in complete information, appropriate transactions, timely reporting, and active monitoring.
- C. Evaluate user access and ensure that access to process and modify examination records is restricted to appropriate personnel and that access is periodically reviewed.

Our procedures will include interviewing key personnel to gain an understanding of the current processes in place, examining existing documentation, and evaluating the internal controls over the process. We will evaluate the existing policies, procedures, and processes in their current state. Our coverage period will be from July 1, 2022, through January 31, 2024.

The following report summarizes the findings identified, risks to CUD, recommendations for improvement and management's responses.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Austin, Texas
June 24, 2024

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CPAs AND ADVISORS | WEAVER.COM

Texas Credit Union Department

Internal Audit Report over Credit Union Examinations

June 24, 2024

Background

The Texas Credit Union Department (CUD) is responsible for supervising and regulating state-chartered credit unions. As part of its mission, one of the responsibilities of CUD is performing credit union examinations. The Examinations Division (Examinations) of CUD is charged with conducting examinations for Texas chartered credit unions. Examinations assists state chartered credit unions with training, resources, guidelines, and consultation to ensure that state credit unions comply with state requirements. As a Self-directed, semi-independent department, fees from assessments and state-chartered credit union fees cover CUD's operating costs.

The Examinations Division performs examinations that results in potential assessments to state-chartered credit unions. Commission Rule §97.105 specifies that the CUD must perform an annual examination of each credit union within an 18-month window unless the commission approves an extension. The examinations workbook includes documentation of the review and ensure compliance with applicable state requirements. Examiners are required to take annual training that CUD provides.

After the annual examination occurs, CUD produces an examination report. The report is given to the credit union for any responses to findings. The Deputy Executive Director delivers a management report to the Commission that includes a Chartering/Bylaw Activity Report, Examination/Supervision Activity Report, Time Management Report, and Training Report.

Audit Objective and Scope

The audit focused on CUD's examination process and reports. We reviewed the procedures in place for appropriate risk, regulatory coverage, and compliance to ensure efficient and effective processes related to the examination process and reports. Key functions and sub-processes that were reviewed include:

- Examination Process
- Examination Reports

Our procedures were designed to ensure relevant risks were covered and verified the following:

Objective A: Determine whether internal controls over examination process and reports are designed to ensure that consistent processes are implemented and designed effectively to address the risks within the associated sub-processes and to ensure effective operations.

Planned Procedures:

- Review the policies, procedures, and guidelines governing the examination process and reports conducted by the Texas Credit Union Department (TCUD).
- Assess the roles, responsibilities, and accountability of TCUD staff involved in conducting examinations, including examiners-in-charge and examination team members.
- Evaluate the content, format, and quality of examination reports prepared by TUCD examiners.
- Evaluate the methodologies, tools, and techniques used for planning, conducting, and reporting on examinations of credit unions.
- Examine the adequacy of resources allocated for conducting examinations, including staffing, training, and technology infrastructure.

Texas Credit Union Department

Internal Audit Report over Credit Union Examinations

June 24, 2024

- Conduct walkthroughs of the examination process and reports to understand how controls are implemented in practice. Document the flow of transactions, review control activities, and identify any control gaps or weaknesses that may exist.
- Review the documentation of control activities, such as checklists, approval forms, and signoffs. Assess whether they are comprehensive, up-to-date, and aligned with the organization's objectives and risks.
- Evaluate the monitoring activities performed over the examination process and reports. Review management reports, exception reports, and performance indicators to determine if they are effective in identifying control deficiencies and ensuring timely corrective actions.

Objective B: Ensure that controls over examination process and reports are operating efficiently, effectively, and resulting in complete information, appropriate transactions, timely reporting, and active monitoring.

Planned Procedures:

- Select a sample of examination reports and compare the information within them to the underlying data and supporting documentation. Verify that all relevant information is included, calculations are accurate, and any exceptions or discrepancies are appropriately addressed.
- Verify compliance with relevant laws, regulations, and standards governing the examination process, including the Texas Finance Code and National Credit Union Administration (NCUA) guidelines.
- Verify that the information in the checklist matches the management report.
- Verify that the information in the management report is complete and appropriately signed-off.
- Verify that exceptions or discrepancies are appropriately addressed.

Objective C: Evaluate user access and ensure that access to process and modify examination records is restricted to appropriate personnel and that access is periodically reviewed.

Planned Procedures:

- Perform system and software reviews: Review the IT systems and software used in the examination process. Assess their reliability, security, and effectiveness in generating accurate and complete reports. Test the controls within these systems to ensure they are functioning as intended.

Our procedures included interviewing key personnel within the department who have responsibilities in managing and/or monitoring the examination process and reports to gain an understanding of the current processes in place, examining existing documentation, and evaluating the internal controls over the process. We evaluated the existing policies, procedures, and processes in their current state. Our coverage period was from July 1, 2022, through January 31, 2024.

Texas Credit Union Department
Internal Audit Report over Credit Union Examinations
June 24, 2024

Executive Summary

Through our interviews, evaluation of internal control design and testing of processes we identified no findings.

A summary of our results, by audit objective, is provided in the table below. See the Appendix for an overview of the Assessment and Risk Ratings.

OVERALL ASSESSMENT		Strong
SCOPE AREA	RESULT	RATING
Objective A: Determine whether internal controls over examination process and reports are designed to ensure that consistent processes are implemented and designed effectively to address the risks within the associated sub-processes and to ensure effective operations.	We identified 33 controls to be in place in the process. We did not identify any findings in the design testing performed.	Strong
Objective B: Ensure that controls over examination process and reports are operating efficiently, effectively, and resulting in complete information, appropriate transactions, timely reporting, and active monitoring.	Controls appear to be in place and operating effectively.	Strong
Objective C: Evaluate user access and ensure that access to process and modify examination records is restricted to appropriate personnel and that access is periodically reviewed.	Access to examination records is appropriately restricted for the individuals identified.	Strong

Conclusion

Based on our evaluation, the examinations process has procedures and controls in place to conduct effective management of these processes at Texas Credit Union Department. We recommend continued diligence in maintaining internal controls over the processes to ensure effective operations.

**Detailed Procedures Performed, Findings,
Recommendations and Management
Response**

Texas Credit Union Department

Internal Audit Report over Examination Process and Reports

June 24, 2024

Detailed Procedures Performed, Findings, Recommendations and Management Response

Our procedures included interviewing key personnel to gain an understanding of the current processes in place, examining existing documentation, and evaluating the internal controls over the process. We evaluated the existing policies, procedures, and processes in their current state. Our coverage period is from July 1, 2022, through January 31, 2024.

Objective A: Design of Internal Controls

Determine whether internal controls over examination process and reports are designed to ensure that consistent processes are implemented and designed effectively to address the risks within the associated sub-processes and to ensure effective operations.

Procedures Performed: We conducted interviews with key personnel within the departments of the Department that have responsibilities in managing examination processes to gain an understanding of the current procedures in place, examined existing documentation, and evaluated the internal controls. We evaluated the existing policies, procedures, and processes in their current state. We documented our understanding of the processes and identified internal controls over the following sub processes:

- Examination Process
- Examination Reports

We evaluated the controls identified against expected controls to determine whether the identified processes and internal controls were sufficiently designed to mitigate the critical risks associated with the examination sub-processes. We identified any unacceptable risk exposures due to gaps in the existing control structure as well as opportunities to strengthen the effectiveness and efficiency of the existing procedures.

Results: We identified 33 controls in place over the significant activities within the Examination processes. We also identified no findings where improvements in the process can be made.

Process Area	Control Coverage	Findings
Examination Process	14	-
Examination Reporting	19	-
Total:	33	-

Texas Credit Union Department

Internal Audit Report over Examination Process and Reports

June 24, 2024

Objective B: Control Testing

Ensure that controls over examination process and reports are operating efficiently, effectively, and resulting in complete information, appropriate transactions, timely reporting, and active monitoring.

Examination Process

Procedures Performed: We obtained a listing of all credit union examination reports completed during the scope period of July 1, 2022, through January 31, 2024. We selected 25 out of the 232 examination reports and verified that the credit union examinations compliance with relevant laws, regulations, and standards governing the examination process, including the Texas Finance Code and National Credit Union Administration (NCUA) guidelines.

Results: No findings identified.

Examination Reporting

Procedures Performed: We obtained a listing of all credit union examination reports completed during the scope period of July 1, 2022, through January 31, 2024. We selected 25 out of the 232 examination reports and verified that the credit union examination checklists match the management report, the information in the management report is complete and appropriately signed-off, and discrepancies are adequately addressed.

Results: No findings identified.

Objective C: System Access

Evaluate user access and ensure that access to process and modify examination records is restricted to appropriate personnel and that access is periodically reviewed.

Procedure Performed: We evaluated user access to the examination records processes to determine whether access was appropriate based on users' positions and job duties and that access is periodically reviewed.

Results: We verified that CUD employee access is appropriate.

Appendix

Texas Credit Union Department

Internal Audit Report over Examination Process and Reports

June 24, 2024

The appendix defines the approach and classifications utilized by Internal Audit to assess the residual risk of the area under review, the priority of the findings identified, and the overall assessment of the procedures performed.

Report Ratings

The report rating encompasses the entire scope of the engagement and expresses the aggregate impact of the exceptions identified during our test work on one or more of the following objectives:

- Operating or program objectives and goals conform with those of CUD
- CUD objectives and goals are being met
- The activity under review is functioning in a manner which ensures:
 - Reliability and integrity of financial and operational information
 - Effectiveness and efficiency of operations and programs
 - Safeguarding of assets
 - Compliance with laws, regulations, policies, procedures and contracts

The following ratings are used to articulate the overall magnitude of the impact on the established criteria:

Strong

The area under review meets the expected level. No high risk rated findings and only a few moderate or low findings were identified.

Satisfactory

The area under review does not consistently meet the expected level. Several findings were identified and require routine efforts to correct, but do not significantly impair the control environment.

Unsatisfactory

The area under review is weak and frequently falls below expected levels. Numerous findings were identified that require substantial effort to correct.

Texas Credit Union Department

Internal Audit Report over Examination Process and Reports

June 24, 2024

Risk Ratings

Residual risk is the risk derived from the environment after considering the mitigating effect of internal controls. The area under audit has been assessed from a residual risk level utilizing the following risk management classification system.

High

High risk findings have qualitative factors that include, but are not limited to:

- Events that threaten CUD's achievement of strategic objectives or continued existence
- Impact of the finding could be felt outside of CUD or beyond a single function or department
- Potential material impact to operations or CUD's finances
- Remediation requires significant involvement from CUD management

Moderate

Moderate risk findings have qualitative factors that include, but are not limited to:

- Events that could threaten financial or operational objectives of CUD
- Impact could be felt outside of CUD or across more than one function of the agency
- Noticeable and possibly material impact to the operations or finances of CUD
- Remediation efforts that will require the direct involvement of functional leader(s)
- May require senior CUD management to be updated

Low

Low risk findings have qualitative factors that include, but are not limited to:

- Events that do not directly threaten the CUD's strategic priorities
- Impact is limited to a single function within CUD
- Minimal financial or operational impact to CUD
- Require functional leader(s) to be kept updated, or have other controls that help to mitigate the related risk

INTERNAL AUDIT PLAN

C. (2) Discussion of and Possible Vote to take Action on the FY 2025 Internal Audit Plan.

BACKGROUND: In August of 2023 the Commission approved an Internal Audit Charter and Plan, reviewing different high risks operations in successive years. The Internal Audit plan is attached. The plan is to focus on Information Technology Services and Enforcement Administration for FY 2025.

RECOMMENDED ACTION: The Committee recommends that the Commission approve the FY 2025 Internal Audit Plan.

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

**July 2024 Commissioner's Meeting
Internal Audit Status Report
As June 24, 2024**

Weaver and Tidwell, LLP (Weaver) is the outsourced internal auditor of the Texas Credit Union Department (CUD). The Weaver engagement team is led by Daniel Graves, Partner.

Based on the Annual Internal Audit Plan approved by the Commissioners in August, we have started planning and executing the audits for fiscal year 2024.

Fiscal Year 2024 Proposed Internal Audit Plan

The FY 2024 Internal Audit Plan includes an internal audit and a full risk assessment update. The table below includes the status and progress of each portion of the plan.

2024 Internal Audits		
Internal Audit	Description	Status
Internal Audit over Credit Union Examinations	Fieldwork for the Credit Union Examinations audit was completed on June 24, 2024. The audit resulted in an overall assessment of "Strong" with no findings.	Completed
2024 Risk Assessment		
Risk Assessment Update	Internal Audit will prepare and complete an entity-wide risk assessment to risk rate the significant processes of the agency. The results of the risk assessment will be used to prepare a three-year internal audit plan for the approval of the Commission.	Scheduled for July 2024

We will also be preparing the annual internal audit report in compliance with the Texas Internal Audit Act. Guidance for the annual report is published by the State Auditor's Office in August.



Daniel Graves, CPA, Internal Auditor
Partner
Weaver and Tidwell L.L.P.

Texas Credit Union Department
Proposed Internal Audit Plan
August 2023

Audit Area	Risk Rating	Summary Procedures	Audit Focus	Estimated Hours
2024 Planned New Internal Audits				
Enforcement Administration	High	Internal Audit will include an evaluation of risks and internal controls in place related to the Credit Union Department's examination processes. Examination areas to be evaluated will include the Complaints Processing, Investigations, Litigation, Remedial Exams, Orders and Prohibitions, Fines and Penalties, Compliance Monitoring, and Appeals.	Internal Audit	250
2024 Planned Annual Requirements				
Project Management	NA	Track overall internal audit procedures, coordinate audit activities, and reporting to management.	Project Management	15
Update Risk Assessment	NA	Perform required annual update of risk assessment.	Policy Compliance	15
Annual and Quarterly Board Reports	NA	Prepare and submit required Annual Internal Audit Report and quarterly reports to the Audit Committee of internal audit activities.	Policy Compliance	20
Total 2024 Internal Audit Estimated Hours				300

Audit Area	Risk Rating	Summary Procedures	Audit Focus	Estimated Hours
2025 Planned New Internal Audits				
Information Technology Services	High	Internal Audit will include an evaluation of risks and internal controls in place related to the Credit Union Department's Information Technology practices. Activities to be evaluated will include Network Operations, Help Desk, Change Management, Software Maintenance, Software Licensing and Usage, Monitoring Third Party Providers, and Project Management.	Internal Audit	200
2025 Planned Internal Audit Follow-up				
Enforcement Administration	High	Internal Audit will perform follow-up procedures on 2024 Internal Audit findings to ensure corrective action has been taken.	Follow-up	50
2025 Planned Annual Requirements				
Project Management	NA	Track overall internal audit procedures, coordinate audit activities, and reporting to management.	Project Management	15
Update Risk Assessment	NA	Perform required annual update of risk assessment.	Policy Compliance	15
Annual and Quarterly Board Reports	NA	Prepare and submit required Annual Internal Audit Report and quarterly reports to the Audit Committee of internal audit activities.	Policy Compliance	20
Total 2025 Internal Audit Estimated Hours				300

Texas Credit Union Department
Proposed Internal Audit Plan
August 2023

Audit Area	Risk Rating	Summary Procedures	Audit Focus	Estimated Hours
2026 Planned New Internal Audits				
Payroll	High	Internal Audit will include an evaluation of risks and internal controls in place related to the Credit Union Department's Payroll Management practices. Activities to be evaluated will include Timekeeping and Approval, Payroll Processing, Payroll Taxes, Compliance Reporting, Voluntary Deductions, and Accrued Leave.	Internal Audit	200
2026 Planned Internal Audit Follow-up				
Enforcement Administration	High	Internal Audit will perform follow-up procedures on 2024 Internal Audit findings to ensure corrective action has been taken.	Follow-up	50
Information Technology Services	High	Internal Audit will perform follow-up procedures on 2025 Internal Audit findings to ensure corrective action has been taken.	Follow-up	
2026 Planned Annual Requirements				
Project Management	NA	Track overall internal audit procedures, coordinate audit activities, and reporting to management.	Project Management	15
Update Risk Assessment	NA	Perform required annual update of risk assessment.	Policy Compliance	15
Annual and Quarterly Board Reports	NA	Prepare and submit required Annual Internal Audit Report and quarterly reports to the Audit Committee of internal audit activities.	Policy Compliance	20
Total 2026 Internal Audit Estimated Hours				300

D

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 July 18, 2024, in a public meeting to discuss two items. 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 and the Finance Commission for consideration.
3. The Commission and the Finance 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 and the Finance 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 and Finance 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 and the Finance Commission, refers the proposal back to staff, or refers the proposal, as recommended by staff, to the Commission and Finance Commission.
7. The Committee's recommendation is presented to the Commission and Finance Commission for consideration.
8. The Commission and the Finance Commission reviews, amends, approves the proposal for publications, refers it back to the Committee, or tables the proposed amendment.
9. If the Commission and the Finance 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 and the Finance 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 MATTERS

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

1. Discussion, Consideration and Possible Vote to Recommend that the Commission take Action on the Completed Rule Review of 7 TAC, Part 8, Chapter 151 (relating to Home Equity Lending Procedures), 7 TAC, Part 8, Chapter 152 (relating to Repair, Renovation, and New Construction on Homestead Property), and Chapter 153 (relating to Home Equity Lending), and Re-adoption of Rules.
2. Discussion, Consideration and Possible Vote to Recommend that the Commission take Action on the Proposal and Publication for Comment on Amendments to 7 TAC, Part 8, Chapter 151, Section 151.1 concerning Interpretation Procedures.

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

MANDATORY RULE REVIEW

D. (1) Discussion, Consideration and Possible Vote to Recommend that the Commission take action on the completed Rule Review of 7 TAC, Part 8, Chapter 151 (relating to Home Equity Lending Procedures), 7 TAC, Part 8, Chapter 152 (relating to Repair, Renovation, and New Construction on Homestead Property), and Chapter 153 (relating to Home Equity Lending), and Re-adoption of Rules.

BACKGROUND: The Finance Commission of Texas and the Texas Credit Union Commission (commissions) have completed the rule review of the following chapters in Texas Administrative Code, Title 7, Part 8, in their entirety: Chapter 151, concerning Home Equity Lending Procedures; Chapter 152, concerning Repair, Renovation, and New Construction on Homestead Property; and Chapter 153, concerning Home Equity Lending. The rule review was conducted under Texas Government Code, §2001.039.

Notice of the review of 7 TAC Chapters 151, 152, and 153 was published in the March 29, 2024, issue of the *Texas Register* (49 TexReg 2095). The commissions received no official comments in response to that notice. The commissions believe that the reasons for initially adopting the rules contained in these chapters continue to exist.

Before publishing notice of the review in the *Texas Register*, the Joint Financial Regulatory Agencies (Texas Department of Banking, Department of Savings and Mortgage Lending, Office of Consumer Credit Commissioner, and Texas Credit Union Department) issued an informal advance notice of the rule review to stakeholders. The agencies received three informal pre-comments in response to the advance notice. The agencies appreciate the thoughtful input provided by stakeholders.

In informal pre-comments, two industry attorneys recommended amendments to 7 TAC §153.8 (relating to Security of the Equity Loan: Section 50(a)(6)(H)) to provide guidance for factually complex situations involving multiple-unit homestead property, homestead ownership by unmarried cotenants, and multigenerational homestead ownership. At this time, it is unclear whether further rule text addressing these factually complex situations is appropriate in addition to the current text of §153.8. The agencies intend to monitor this issue to determine whether interpretation amendments may be appropriate in the future.

As a result of the rule review, the commissions find that the reasons for initially adopting the rules in 7 TAC Chapters 151, 152, and 153 continue to exist, and readopt these chapters in accordance with the requirements of Texas Government Code, §2001.039.

RECOMMENDED ACTION: The Department requests that the Committee recommend to the Commission approve the completed rule review of 7, TAC, Part 8, Chapter 151 (relating to Home Equity Lending Procedures), 7 TAC, Part 8, Chapter 152 (relating to Repair, Renovation, and New Construction on Homestead Property), and Chapter 153 (relating to Home Equity Lending), and Re-adoption of Rules.

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.

Title 7. Banking and Securities

Part 8. Joint Financial Regulatory Agencies

Chapter 151. Home Equity Lending Procedures

Chapter 152. Repair, Renovation, and New Construction on Homestead Property

Chapter 153. Home Equity Lending

The Finance Commission of Texas and the Texas Credit Union Commission (commissions) have completed the rule review of the following chapters in Texas Administrative Code, Title 7, Part 8, in their entirety: Chapter 151, concerning Home Equity Lending Procedures; Chapter 152, concerning Repair, Renovation, and New Construction on Homestead Property; and Chapter 153, concerning Home Equity Lending. The rule review was conducted under Texas Government Code, §2001.039.

Notice of the review of 7 TAC Chapters 151, 152, and 153 was published in the March 29, 2024, issue of the *Texas Register* (49 TexReg 2095). The commissions received no official comments in response to that notice. The commissions believe that the reasons for initially adopting the rules contained in these chapters continue to exist.

Before publishing notice of the review in the *Texas Register*, the Joint Financial Regulatory Agencies (Texas Department of Banking, Department of Savings and Mortgage Lending, Office of Consumer Credit Commissioner, and Texas Credit Union Department) issued an informal advance notice of the rule review to stakeholders. The agencies received three informal precomments in response to the advance notice. The agencies appreciate the thoughtful input provided by stakeholders.

In informal precomments, two industry attorneys recommended amendments to 7 TAC §153.8 (relating to Security of the Equity Loan: Section 50(a)(6)(H)) to provide guidance for factually complex situations involving multiple-unit homestead property, homestead ownership by unmarried cotenants, and multigenerational homestead ownership. At this time, it is unclear whether further rule text addressing these factually complex situations is appropriate in addition to the current text of §153.8. The agencies intend to monitor this issue to determine whether interpretation amendments may be appropriate in the future.

As a result of internal review by the agencies, the commissions have determined that certain revisions are appropriate and necessary in 7 TAC Chapter 151. Those proposed changes are published elsewhere in this issue of the *Texas Register*.

As a result of the rule review, the commissions find that the reasons for initially adopting the rules in 7 TAC Chapters 151, 152, and 153 continue to exist, and readopt these chapters in accordance with the requirements of Texas Government Code, §2001.039.

INTERPRETATION PROCEDURES

D. (2) Discussion, Consideration and Possible Vote to Recommend that the Commission take action on the Proposal and Publication for Comment on Amendments to 7 TAC, Part 8, Chapter 151, Section 151.1 Concerning Interpretation Procedures.

BACKGROUND: The Finance Commission of Texas and the Texas Credit Union Commission (commissions) propose amendments to §151.1 (relating to Interpretation Procedures) in 7 TAC Chapter 151, concerning Home Equity Lending Procedures.

The rules in 7 TAC Chapter 151 govern the procedures for requesting, proposing, and adopting interpretations of the home equity lending provisions of Texas Constitution, Article XVI, Section 50 ("Section 50"). In general, the purpose of the proposed rule changes to 7 TAC Chapter 151 is to implement changes resulting from the commissions' review of the chapter under Texas Government Code, §2001.039. Notice of the review of 7 TAC Chapter 151 was published in the *Texas Register* on March 29, 2024 (49 TexReg 2095). The commissions received no official comments in response to that notice.

The rules in 7 TAC Chapter 151 are administered by the Joint Financial Regulatory Agencies ("agencies"), consisting of the Texas Department of Banking, Department of Savings and Mortgage Lending, Office of Consumer Credit Commissioner, and Texas Credit Union Department. The agencies distributed an early pre-comment draft of proposed changes to interested stakeholders for review. The agencies received **four** informal pre-comments on the rule text draft. The agencies appreciate the thoughtful input provided by stakeholders.

Currently, §151.1(d) describes the requirements for formally requesting a home equity interpretation. Proposed amendments to §151.1(d)(1) would specify that any petition for the Finance Commission to issue a home equity interpretation must be sent to the Department of Savings and Mortgage Lending, replacing current language that refers to the Office of Consumer Credit Commissioner. The Department of Savings and Mortgage Lending has the primary responsibility to license and regulate companies providing mortgage loans in Texas. The agencies anticipate that the Department of Savings and Mortgage Lending will take a leading role in coordinating future home equity interpretations.

RECOMMENDED ACTION: The Department requests that the Committee recommend the Commission approve the proposed amendments.

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.

*Title 7, Texas Administrative Code
Part 8. Joint Financial Regulatory Agencies
Chapter 151. Home Equity Lending Procedures*

The Finance Commission of Texas and the Texas Credit Union Commission (commissions) propose amendments to §151.1 (relating to Interpretation Procedures) in 7 TAC Chapter 151, concerning Home Equity Lending Procedures.

The rules in 7 TAC Chapter 151 govern the procedures for requesting, proposing, and adopting interpretations of the home equity lending provisions of Texas Constitution, Article XVI, Section 50 ("Section 50"). In general, the purpose of the proposed rule changes to 7 TAC Chapter 151 is to implement changes resulting from the commissions' review of the chapter under Texas Government Code, §2001.039. Notice of the review of 7 TAC Chapter 151 was published in the *Texas Register* on March 29, 2024 (49 TexReg 2095). The commissions received no official comments in response to that notice.

The rules in 7 TAC Chapter 151 are administered by the Joint Financial Regulatory Agencies ("agencies"), consisting of the Texas Department of Banking, Department of Savings and Mortgage Lending, Office of Consumer Credit Commissioner, and Texas Credit Union Department. The agencies distributed an early precomment draft of proposed changes to interested stakeholders for review. The agencies did not receive any informal precomments on the rule text draft.

Currently, §151.1(d) describes the requirements for formally requesting a home equity interpretation. Proposed amendments to §151.1(d)(1) would specify that any petition for the Finance Commission to issue

a home equity interpretation must be sent to the Department of Savings and Mortgage Lending, replacing current language that refers to the Office of Consumer Credit Commissioner. The Department of Savings and Mortgage Lending has the primary responsibility to license and regulate companies providing mortgage loans in Texas. The agencies anticipate that the Department of Savings and Mortgage Lending will take a leading role in coordinating future home equity interpretations.

Wendy Rodriguez (Deputy Commissioner, Texas Department of Banking), Antonia Antov (Director of Operations, Department of Savings and Mortgage Lending), Mirand Diamond (Director of Licensing, Finance and Human Resources, Office of Consumer Credit Commissioner), and Michael Riepen (Commissioner, Texas Credit Union Department) have determined that for the first five-year period the proposed rule changes are in effect, there will be no fiscal implications for state or local government as a result of administering the rule changes.

Wendy Rodriguez (Deputy Commissioner, Texas Department of Banking), William Purce (Director of Mortgage Regulation, Department of Savings and Mortgage Lending), Karl Hubenthal (Assistant Director of Exam Operations, Office of Consumer Credit Commissioner), and Michael Riepen (Commissioner, Texas Credit Union Department) have determined that for the first five-year period the proposed rule changes are in effect, the public benefit anticipated as a result of the changes will be

that the commissions' rules will provide clear guidance for interested parties to file a formal petition for a home equity interpretation.

The agencies do not anticipate any economic cost to persons who are required to comply with the amendments as proposed.

The agencies do not anticipate any adverse economic effect on small businesses, micro-businesses, or rural communities resulting from this proposal. But in order to obtain more complete information concerning the economic effect of these rule changes, the agencies invite comments from interested stakeholders and the public on any economic impacts on small businesses, as well as any alternative methods of achieving the purpose of the proposal while minimizing adverse impacts on small businesses, micro-businesses, and rural communities.

During the first five years the proposed rule changes will be in effect, the rule will not create or eliminate a government program. Implementation of the rule changes will not require the creation of new employee positions or the elimination of existing employee positions. Implementation of the rule changes will not require an increase or decrease in future legislative appropriations to the agencies, because the agencies are self-directed, semi-independent agencies that do not receive legislative appropriations. The proposed rule changes do not require an increase or decrease in fees paid to the agencies. The proposal would not create a new regulation. The proposal would not expand, limit, or repeal an existing regulation. The proposed rule changes do not increase or decrease the number of individuals subject to the rule's applicability. The agencies do not anticipate that the proposed rule changes will have an effect on the state's economy.

Comments on the proposal may be submitted in writing to Matthew Nance, General Counsel, Office of Consumer Credit Commissioner, 2601 North Lamar Boulevard, Austin, Texas 78705 or by email to rule.comments@occc.texas.gov. To be considered, a written comment must be received on or before the 30th day after the date the proposal is published in the *Texas Register*. After the 30th day after the proposal is published in the *Texas Register*, no further written comments will be considered or accepted by the commissions.

The rule changes are proposed under Texas Finance Code, §11.308 and §15.413, which authorize the commissions to issue interpretations of Texas Constitution, Article XVI, §50(a)(5) - (7), (e) - (p), (t), and (u), subject to Texas Government Code, Chapter 2001. The rule changes are also proposed under Texas Government Code, §2001.021(b), which authorizes state agencies to adopt rules prescribing the procedure for submitting petitions for rulemaking.

The constitutional and statutory provisions affected by the proposal are contained in Texas Constitution, Article XVI, §50, and Texas Finance Code, Chapters 11 and 15.

§151.1. Interpretation Procedures

(a) Issuing interpretations. The Finance Commission and Credit Union Commission may on their own motion issue interpretations of Section 50(a)(5) - (7), (e) - (p), and (t), Article XVI of the Texas Constitution. The commissions will propose and adopt interpretations in accordance with the rulemaking requirements of Texas

that the commissions' rules will provide clear guidance for interested parties to file a formal petition for a home equity interpretation.

The agencies do not anticipate any economic cost to persons who are required to comply with the amendments as proposed.

The agencies do not anticipate any adverse economic effect on small businesses, micro-businesses, or rural communities resulting from this proposal. But in order to obtain more complete information concerning the economic effect of these rule changes, the agencies invite comments from interested stakeholders and the public on any economic impacts on small businesses, as well as any alternative methods of achieving the purpose of the proposal while minimizing adverse impacts on small businesses, micro-businesses, and rural communities.

During the first five years the proposed rule changes will be in effect, the rule will not create or eliminate a government program. Implementation of the rule changes will not require the creation of new employee positions or the elimination of existing employee positions. Implementation of the rule changes will not require an increase or decrease in future legislative appropriations to the agencies, because the agencies are self-directed, semi-independent agencies that do not receive legislative appropriations. The proposed rule changes do not require an increase or decrease in fees paid to the agencies. The proposal would not create a new regulation. The proposal would not expand, limit, or repeal an existing regulation. The proposed rule changes do not increase or decrease the number of individuals subject to the rule's applicability. The agencies do not anticipate that the proposed rule changes will have an effect on the state's economy.

Comments on the proposal may be submitted in writing to Matthew Nance, General Counsel, Office of Consumer Credit Commissioner, 2601 North Lamar Boulevard, Austin, Texas 78705 or by email to rule.comments@occc.texas.gov. To be considered, a written comment must be received on or before the 30th day after the date the proposal is published in the *Texas Register*. After the 30th day after the proposal is published in the *Texas Register*, no further written comments will be considered or accepted by the commissions.

The rule changes are proposed under Texas Finance Code, §11.308 and §15.413, which authorize the commissions to issue interpretations of Texas Constitution, Article XVI, §50(a)(5) - (7), (e) - (p), (t), and (u), subject to Texas Government Code, Chapter 2001. The rule changes are also proposed under Texas Government Code, §2001.021(b), which authorizes state agencies to adopt rules prescribing the procedure for submitting petitions for rulemaking.

The constitutional and statutory provisions affected by the proposal are contained in Texas Constitution, Article XVI, §50, and Texas Finance Code, Chapters 11 and 15.

§151.1. Interpretation Procedures

(a) Issuing interpretations. The Finance Commission and Credit Union Commission may on their own motion issue interpretations of Section 50(a)(5) - (7), (e) - (p), and (t), Article XVI of the Texas Constitution. The commissions will propose and adopt interpretations in accordance with the rulemaking requirements of Texas

Government Code, Chapter 2001, Subchapter B.

(b) Agency recommendations. The Office of Consumer Credit Commissioner, Department of Banking, or Department of Savings and Mortgage Lending may recommend proposed interpretations to the Finance Commission. The Credit Union Department may recommend proposed interpretations to the Credit Union Commission. The four agencies may seek informal input from stakeholders and the other agencies before recommending a proposed interpretation to the commissions.

(c) Informal request for interpretation. A person may submit an informal request for an interpretation of Section 50(a)(5) - (7), (e) - (p), or (t), Article XVI of the Texas Constitution. An informal request may be submitted to the Office of Consumer Credit Commissioner, Department of Banking, Department of Savings and Mortgage Lending, or Credit Union Department. A request should:

(1) cite the specific provision of the Texas Constitution to be interpreted;

(2) explain the factual and legal context for the request; and

(3) explain the requestor's opinion of how the request should be resolved.

(d) Petition for rulemaking. An interested person may formally request an interpretation of Section 50(a)(5) - (7), (e) - (p), or (t), Article XVI of the Texas Constitution by submitting a petition to initiate rulemaking.

(1) Any petition for the Finance Commission to issue an interpretation must be submitted to the Department of Savings

and Mortgage Lending [~~Office of Consumer Credit Commissioner~~] and must include the information required by §9.82 of this title (relating to Petitions to Initiate Rulemaking Proceedings).

(2) Any petition for the Credit Union Commission to issue an interpretation must be submitted to the Credit Union Department and must include the information required by §97.500 of this title (relating to Petitions to Initiate Rulemaking Proceedings).

Certification

The agency certifies that legal counsel has reviewed the proposal and found it to be within the agency's legal authority to adopt.

Issued in Austin, Texas on June 21, 2024, and July 19, 2024.

Matthew J. Nance
General Counsel
Office of Consumer Credit Commissioner
Joint Financial Regulatory Agencies

E

DEPARTMENT'S FY 2024 BUDGET FINANCIAL PERFORMANCE

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

BACKGROUND: In 2024 the Commission adopted a strategic plan for Fiscal Years 2025-2029. 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 May 31, 2024. At the end of the nine months total expenditure was \$624,013 or approximately 15.5 percent less than budgeted projections. The primary expense category below budget estimates is Professional Services and Fees (\$213,979) as some database conversion costs have not yet been billed. Other below budget items include personnel expenses (\$266,434) and travel expenses (\$79,511).

RECOMMENDED ACTION: No action is anticipated.

Credit Union Department
BY 2024 Budget Analysis
For the Period Ended 5/31/24 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	\$5,556,986	\$4,816,210	(\$740,776)	87%
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	\$5,456,986	\$4,728,805	(\$728,181)	87%
Interest Income (Operating Acct)	\$0	\$0	\$127,375	\$127,375	
Interest Income (Contingency Acct)	\$0	\$0	\$46,555	\$46,555	
TOTAL REVENUES - FUNDS AVAILABLE TO COVER EXPENDITURES	\$5,456,986	\$5,456,986	\$4,902,735	(\$554,251)	90%
EXPENDITURES:					
Personnel Expenses:					
Salaries and Wages	\$3,280,325	\$2,432,644	\$2,206,716	\$225,927	91%
Employee Benefits	\$968,022	\$726,017	\$685,510	\$40,506	94%
Total Personnel Expenses	\$4,248,347	\$3,158,660	\$2,892,226	\$266,434	92%
Travel Expenses:					
In State					
Examinations			\$0		
Training/Conferences			\$41,443		
Meetings			\$1,025		
Public Forums			\$0		
Other			\$4,095		
Total In-State	\$426,372	\$319,779	\$265,387	\$54,392	83%
Out-of-State	\$25,000	\$18,750	\$3,924	\$14,826	21%
Commission	\$24,000	\$18,000	\$7,707	\$10,293	43%
Total Travel Expenses	\$475,372	\$356,529	\$277,018	\$79,511	78%
Other Operating Expenses:					
Communication/Utilities	\$58,214	\$43,661	\$38,272	\$5,389	88%
Professional Services/Fees	\$420,600	\$315,450	\$101,471	\$213,979	32%
Supplies/Materials	\$58,632	\$43,974	\$27,021	\$16,953	61%
Printing and Reproduction	\$1,000	\$750	\$0	\$750	0%
Repairs/Maintenance	\$29,165	\$21,874	\$9,722	\$12,152	44%
Rentals and Leases	\$4,900	\$3,675	\$3,027	\$648	82%
Other Operating	\$160,757	\$76,318	\$48,110	\$28,208	63%
Total Other Operating Expenses	\$733,268	\$505,701	\$227,623	\$278,078	45%
TOTAL EXPENDITURES	\$5,456,987	\$4,020,890	\$3,396,867	\$624,023	84%
REMAINING FUNDS TO COVER EXPENDITURES (Actuals)			\$1,505,868		

F

DEPARTMENT'S OPERATING PLAN AND FY 2025 BUDGET

F. Department's Operating Plan and Budget for Fiscal Year 2025.

BACKGROUND: Finance Code Section 16.003 gives the Commission the exclusive responsibility for approving the Department's budget each year. Consistent with the Budget Assumptions approved by the Commission in March, the following pages detail a proposed budget for FY 2025 of \$5,948,556 which represents a 7.05% increase from the FY 2024 budget.

The proposed budget includes strategic initiative funding for the costs related to upgrading the Department's existing database (\$30,000); an equity adjustment for Department staff based on House Bill #1 - General Appropriations Act (\$179,868); funding for equity adjustments, merit increases, and anticipated promotions (\$122,086); equipment for hot spot access for the examiners (\$10,000); IT related equipment and maintenance (\$35,000); the reimplementation of a college intern program (\$38,513); the addition of a new Database Administrator position (\$96,075); legal support and services costs (\$24,150); and capital improvement funding for building maintenance and repairs (\$30,000).

RECOMMENDED ACTION: Staff recommends that the Commission approve the proposed FY 2025 Operating Plan and Budget.

RECOMMENDED MOTION: I move that the Commission approves the proposed FY 2025 Operating Plan and Budget, with a total budget of \$5,948,556 and 36 FTEs.

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 BY 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 FE III 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 5.00% 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 Costs 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 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 their 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 is 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.

SUMMARY OF PROPOSED FY 2025 BUDGET

Budget Needed to Continue Existing Services	\$5,382,865
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Strategic Initiatives:

Priority #2 – Equity Adjustments – H.B.1	\$179,867
Priority #3 – Promotions and Merit Increases	\$122,086
Priority #6 – College Intern	\$38,513
Priority #7 – Business and Systems Analyst	\$96,075
Priority #8 – Legal Support and Services	\$24,150

Total Strategic Initiatives	\$460,691
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Replacement/ Capital Improvement Plan:

Priority #1 – Access Database Upgrade	\$30,000
Priority #4 – Hot Spot Access for Examiners	\$10,000
Priority #5 – IT Related Maintenance	\$35,000
Priority #9 – Building Maintenance/Repairs	\$30,000

Total Replacement Capital Improvements	\$105,000
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Grand Total Agency Requested Budget FY 2025	\$5,948,556
Grand Total Agency Budget FY 2024	\$5,556,986
\$ Increase versus FY 2024 budget	\$391,570
% Increase above FY 2024 budget	7.05%

Full-Time-Equivalent Positions	36
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BUDGET NEEDED TO CONTINUE EXISTING SERVICES

FY 2025 Base Budget Reconciliation

Object of Expenses	Budget FY 2024	Adjustment	Base FY 2025
Salaries and Wages	3,270,325	<1,000> ¹	3,269,325
Payroll Related Costs	968,021	68,063 ²	1,036,084
Travel	475,372	35,648 ^{1a}	511,020
Professional Services/Fees	430,600	<238,567> ³	192,033
Supplies/Materials	58,632	5,900 ^{3a}	64,532
Communication/Utilities	58,214	<2,225> ⁴	55,989
Repairs/Maintenance	29,165	<24,000> ⁵	5,165
Rentals and Leases	4,900	0	4,900
Printing and Reproduction	1,000	0	1,000
Other/State of Texas Services	160,757	<17,940> ⁶	142,817
Contingency Reserve	100,000	0	100,000
Grand Total	\$5,556,986	<\$174,121>	\$5,382,865

¹Reduced FY22 baseline salary and wages costs by \$1,000 based on \$9,000 increase to Commissioner salary approved by Commission in November 2023 and \$10K reduction in funds allocated to lump sum vacation as there are no known retirements pending for FY25 at this time.

²Increase in Payroll Related Costs of \$68,063 primarily attributed to increases in Emp Insur. Pmt./CUD contribution (increase of \$40,080) and Retiree Group Ins. (increase of \$28,168).

^{1a}Increased \$35,648 (8.4%) due to 5% budget adjustment for in-state travel due to anticipated increases in examiner travel and staffing levels, and a 3.4% increase based on the rise in the 2023 Consumer Price Index.

³Reduced \$238,567 due to a net reallocation of \$567 from #7243 to #2972 (Trust co. service fees); a \$1,500 increase in other professional services - #7253 reallocated from #7300; a \$189,500 reduction in #7285 as those allocated funds were for one-time costs in FY 2024; and a \$50k reduction in #7245 for periodic state audit costs which can be allocated from CUD reserves when needed.

^{3a}Increased Supplies/Materials \$5,900 due to estimated increases in laptop and subscription costs of \$4,900, and a \$1,000 net increase due to reallocation of funds to/from consumables (#7300), furn. & equip. (#7334), computer equip. exp. (#7377) and software expense (#7380).

⁴Reduction in Communications/Utilities after increase of \$275 for Electric, telephone and water tied to CPI, and a \$2,500 decrease for COBJ #7276 for elimination of West Law Subscription, etc.

⁵Baseline reduced \$24k due to \$15k reduction in #7262 and \$9k reduction in #7266 due to one-time costs for office cubicles which was budgeted in FY 2024.

⁶Decrease of \$17,940 in this category due to \$15k reduction in #7379, increase of \$2k in #7204, increase of \$300 in #7277, decrease of \$5,897 for SWCAP #7953, and increase in Trust Co. service fees of \$567.

OVERVIEW OF AGENCY REQUESTED FY 2025 BUDGET

Proposed Budget with Strategic Initiatives

Object of Expenses	Base Budget	Strategic Initiatives	Budget Request
Salaries and Wages	3,269,325	362,313	\$3,631,638
Payroll Related Costs	1,036,084	74,228	1,110,312
Travel	511,020	0	511,020
Professional Services/Fees	192,033	44,150	236,183
Supplies/Materials	64,532	10,000	74,532
Communication/Utilities	55,989	10,000	65,989
Repairs/Maintenance	5,165	45,000	50,165
Rentals and Leases	4,900	0	4,900
Printing & Reproduction	1,000	0	1,000
Other/State of Texas Services	142,817	20,000	162,817
Contingency Reserves	100,000	0	100,000
Grand Total	\$5,382,865	\$565,691	\$5,948,556

Percentage Increase above FY 2024 Budget

7.05%

Potential Revenues and Proposed Expenditures

Potential Revenues	\$5,690,131 ¹
Proposed Expenditures	\$5,948,556
Est. FY 2025 Operating Fee Adjustment	+\$258,425
Est. % Operating Fee Adjustment	+4.54%

Note: As required by Commission policy, staff reviewed all fees established by Rule 97.113 and may recommend fee structure revisions to the Commission at its November 2024 meeting. Any proposed changes will ensure the funding of the full cost of operating the Department.

¹Using assets as of March 31, 2024. Actual fees/revenues will be based on assets as of June 30, 2024.

REVENUE HISTORY

Fiscal Year 2022

Total Fees Prescribed by Rule 97.113	\$5,416,049
\$ Installment Adjustment Permitted	<\$1,083,209 >
% Operating Fee Installment Adjustment	20.0%
Actual Assessment Collected	\$4,332,840

Fiscal Year 2023

Total Fees Prescribed by Rule 97.113	\$5,689,263
\$ Installment Adjustment Permitted	<\$1,165,503>
% Operating Fee Installment Adjustment	20.5%
Actual Assessment Collected	\$4,523,760

Fiscal Year 2024

Total Fees Prescribed by Rule 97.113	\$5,615,912
\$ Installment Adjustment Permitted	<\$799,702>
% Operating Fee Installment Adjustment	14.2%
Actual Assessment Collected	\$4,816,210

PERFORMANCE/KEY MEASURES

Measure	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024 <small>YTD - 3/24</small>
Number of Credit Unions	177	175	173	168	165
Credit Union Total Assets (billions)	\$48.6	\$54.2	\$59.0	\$57.5	\$57.7
Percent Increase in Credit Union Total Assets	12.0%	11.5%	8.9%	-2.5%	0.3%
Average Regulated Assets per Examiner (billions)	\$3.04	\$3.56	\$3.85	\$3.59	\$3.59
Number of Examinations	150	144	148	137	92
Percent of Credit Unions Examined	85%	82%	86%	82%	56%
Percent of Credit Union Assets Examined <small>(based on assets at last regular exam)</small>	91%	93%	90%	92%	46%
Number of Remedial Exams	30	26	38	36	18
Percent of Credit Unions Rated 1 or 2 (CAMELS)	88%	89%	86%	87%	87%
% of Assets in 1 or 2 Rated Credit Unions (CAMELS)	96%	95%	98%	98%	95%
Percent of Well-Capitalized Credit Unions	99%	99%	98%	99%	99%
Number of Credit Unions Rated 3, 4, or 5 (CAMELS)	21	19	25	22	21
Annual Examiner Turnover	5.6%	23.2%	17.3%	22.7%	10.9%
Average Tenure of Departing Examiners (Mos.)	53	99	51	19	126
Number of Examiners Hired	1	3	3	5	3
Annual Staff Turnover	3.5%	10.9%	14.2%	24.2%	6.5%
# of Formal Training Days	209	290	294	321	181
# of Applications Processed	106	100	79	65	42
Number of Requests – Interpretation/Opinion	3	0	1	0	0
Number of Public Information Requests	27	30	40	37	29
# of Written Credit Union Complaints Processed	344	323	344	400	303
Department Costs/\$100k Assets	\$8.02	\$6.50	\$6.61	\$7.42	TBD

STRATEGIC INITIATIVE FUNDING REQUEST #1

Initiative Name: **Equity Adjustments for All Staff –
House Bill 1**

Priority: **2**

Equity Adjustment – HB1	
Objects of Expense	Estimated Costs
Salary & Wages (Equity Adjustments)	\$151,787
Payroll Related Costs (Equity Adjustments) *	\$28,081
Total	\$179,868

** Payroll related costs estimated at 18.5 percent of increased payroll amounts.*

Description/Justification: “Ensuring Texas has a safe and sound credit union system,” is an undeniable mandate. Assessing credit unions’ safety and soundness requires skilled examiners, and the ability to retain qualified examiners is essential in meeting this objective. Credit unions continue to grow rapidly in assets. The average asset size of a Texas chartered credit union has increased approximately 50.3 percent, from \$230.5 million at fiscal year-end 2018, to \$346.5 million as of February 2024. It is essential that the Department maintain controlled examiner turnover numbers, given the increasing size, complexity, and sophistication of the institutions that we examine. Offering an attractive overall benefits package, including a competitive salary, is a key component affecting examiner retention.

The Commission approved the Department’s budget assumptions for Fiscal Year (FY) 2025 which were presented to them at their March 2024 Commission meeting. As part of those assumptions, the Department was proposing a 4.00 percent Merit Pool for staff increases for the upcoming FY 2025. Subsequently, after discussion, the Commission approved a Merit Pool for staff increases of 5.00 percent for FY 2025.

Further, at the 2023 Legislative Session, House Bill 1 (the General Appropriations Act (GAA)), was approved, which provided for a 5 percent increase in annual salaries with a minimum annual increase of \$3,000 for FY 2024 for state employees, and an additional increase of the same amount in FY 2025. It also appropriated any related employee benefit costs associated with the salary increase required by GAA, Article IX, Sections 17.03 and 17.06.

The increase for agencies under appropriations is being funded from the general revenue fund, general revenue dedicated accounts and other funds. For the Department to participate in this initiative for FY 2024, the appropriation of these funds was approved by the Commission since we are an SDSI agency and are not under legislative appropriations. Further, for the Department to be included in this initiative for FY 2025, the appropriation of these funds once again will need to be approved by the Commission, since the Department is an SDSI agency and is not under legislative appropriations.

In consideration of the HB1 annual salary increase request as part of our annual budget, it is also recommended that the original Merit Pool amount of 5.00 percent approved at the March 2024 Commission meeting be reduced to 3.50 percent. In addition, it is proposed that the primary usage of Merit Pool funds be directed toward: 1) the progression (based on performance) of existing non-management employees during FY 2025; 2) for equity adjustments to the lower four tiers of financial examiner positions to improve compensation parity relative to other Texas agencies with similar positions as well as the salaries being paid to federal credit union examiners; and 3) for anticipated promotions of Department staff.

STRATEGIC INITIATIVE FUNDING REQUEST #2

Initiative Name: **Equity and Merit Increases (includes promotions)**

Priority: **3**

Equity and/or Merit Adjustments	
Objects of Expense	Estimated Costs
Salary & Wages	\$103,026
Payroll Related Costs*	\$19,060
Total	\$122,086

** Payroll related costs estimated at 18.5 percent of increased payroll amounts.*

Description/Justification: “Ensuring Texas has a safe and sound credit union system,” is an undeniable mandate. Assessing credit unions’ safety and soundness requires skilled examiners, and the ability to retain qualified examiners is essential in meeting this objective. Credit unions continue to grow rapidly in assets. The average asset size of a Texas chartered credit union has increased approximately 50.3 percent, from \$230.5 million at fiscal year-end 2018, to \$346.5 million as of February 2024. It is essential that the Department maintain controlled examiner turnover numbers, given the increasing size, complexity, and sophistication of the institutions that we examine. Offering an attractive overall benefits package, including a competitive salary, is a key component affecting examiner retention.

Merit pay and promotions have traditionally been one of the most effective tools to motivate and retain qualified staff. Recognizing and rewarding high performance is a key priority for driving excellence in the Department. A monetary reward is the strongest incentive for staff who exhibit greater enthusiasm, commitment, and developmental skills than the other staff members around them. When budgeted, all classified staff members are eligible to participate in the Department’s merit pay program and/or be considered for a promotion. The last merit increases for certain staff were budgeted in the FY 2024 budget.

In conjunction with H.B.1, which was approved during the 2023 Legislative Session, all Department staff are being recommended for 5.00 percent salary increases consistent with what was provided by the bill for fiscal year 2025, for agencies under appropriations. In addition to those pay raises, the

Department has field examination staff and office staff who are expected to reach certain skill, experience and tenure levels which generally result in merit increases or promotions. Further, during this years' budget review process, salary surveys were conducted with other state and federal agencies. During the survey process, it was determined that several of the Department's non-management field examiner positions were being compensated at levels which were below competitive wages for similar positions with other state and federal agencies. Thus, in consideration of the individuals mentioned above, the Department is proposing to establish a pool to fund merit, promotion, and equity adjustments. The funding of increased salaries due to merit and promotions is based on the anticipated progression of existing non-management employees (field and office) during FY 2025. All awards made from the pool will be based on either performance resulting in progression or to provide compensation parity (i.e., equity adjustments) with comparable positions at other similar state and federal agencies.

Funding of this item is necessary for the Department to maintain examiner and office staff resources to ensure supervision to meet regulatory responsibilities, achieve performance measures, and preserve a safe and sound Texas credit union system. As credit unions continue to grow in sophistication and complexity, the ability to retain highly skilled and qualified examiners and office staff are essential components in meeting these objectives. It is imperative that the Department keep examiner/office staff salaries at competitive levels to maximize retention of key staff members.

In the absence of a merit-based pay program, there is the risk of discouragement for the highest performing staff. The most talented staff are aware of their strengths and like to accept the challenges of performance-linked pay. If all staff are awarded uniform pay without regard to individual merit or contribution, there is a risk of the best performing staff becoming disenchanted and leaving the Department. Further, if pay levels are perceived to be below market, it is difficult to attract and retain a qualified, motivated examiner and office work force, which ultimately affects examination effectiveness and productivity.

External/Internal Factors:

Merit pay helps the Department differentiate between the performance of high and low performing employees and reward the higher performance accordingly. As a result, it is believed that merit pay is an opportunity to ensure that outstanding performers remain with the Department and continue to make their significant contributions.

The complexity of work required from the examination staff continues to increase. Therefore, it is essential that the Department continues to be able to attract and retain a skilled examiner work force and competent office staff. The

Department must continue to make every effort to maintain competitive pay levels with other financial institution regulators (i.e., National Credit Union Administration, Department of Banking, etc.) to sustain the retention rate and value of the Department's examination workforce, benefiting all stakeholders.

The Commission approved a 5.0 percent Merit Pool for staff when approving the FY 2025 budget assumptions at its March 2024 Commission meeting. However, because of the passage of H.B.1 during the 2023 Legislative Session, which provided for 5.00 percent increases for all state employees for FY 2024 and FY 2025, it is anticipated the Merit Pool amount needed will be less than the 5.0 percent level approved. It is proposed that the merit and promotion funds be utilized to 1) make equity adjustments to provide competitive salaries for comparable non-management positions with other similar agencies; and 2) compensate employees anticipated to hit certain tenure/experience thresholds during FY 2025 which have typically resulted in merit/promotion pay increases applicable to their positions.

Charts (Tables 1, 2 and 3) depicting salary comparisons for similar examiner positions at other state and federal agencies are as follows:

Table 1:		CUD Examiner Salaries		Department of Banking (DOB)		Comparison	
Position	Salary Group	CUD Base Salary (FY 2024)	CUD Base Salary (FY 2025)*	Base Salary (FY 2024)	Base Salary (FY 2025)*	\$ Diff. CUD vs. DOB (FY 2025)	% Diff. CUD vs. DOB (FY 2025)
Financial Examiner I	B17	\$55,932	\$58,932	\$61,399	\$64,469	-\$5,537	-9.40%
Financial Examiner II	B19	\$62,904	\$66,049	\$68,456	\$71,879	-\$5,830	-8.83%
Financial Examiner III	B21	\$69,728	\$73,214	\$76,057	\$80,832	-\$7,618	-10.40%
Financial Examiner IV	B23	\$79,871	\$83,865	\$88,099	\$92,504	-\$8,639	-10.30%
Financial Examiner V	B25	\$89,817	\$94,308	\$100,376	\$105,395	-\$11,087	-11.76%
*Base Salary (FY 2025) based on 5% increase associated with HB1. Minimum increase of \$3,000.							

Table 2:		CUD Examiner Salaries		Department of Savings and Mortgage Lending (SML)		Comparison	
Position	Salary Group	CUD Base Salary (FY 2024)	CUD Base Salary (FY 2025)*	Base Salary (FY 2024)	Base Salary (FY 2025)*	\$ Diff. CUD vs. SML (FY 2025)	% Diff. CUD vs. SML (FY 2025)
Financial Examiner I	B17	\$55,932	\$58,932	\$58,200	\$61,200	-\$2,268	-3.85%
Financial Examiner II	B19	\$62,904	\$66,049	\$63,000	\$66,150	-\$101	-0.15%
Financial Examiner III	B21	\$69,728	\$73,214	\$73,014	\$76,665	-\$3,451	-4.71%
Financial Examiner IV	B23	\$79,871	\$83,865	\$79,944	\$83,941	-\$76	-0.09%
Financial Examiner V	B25	\$89,817	\$94,308	\$89,232	\$93,694	\$614	0.65%
*Base Salary (FY 2025) based on 5% increase associated with HB1. Minimum increase of \$3,000.							

Table 3:		CUD Examiner Salaries		NCUA		Comparison	
Position	Salary Group	CUD Base Salary (FY 2024)	CUD Base Salary (FY 2025)*	Position Mid-Point Salary (FY 2024)	W/Min. Locality Adj. of 16.32%**	\$ Diff. CUD (FY 2025) vs. NCUA (FY 2024)	% Diff. CUD (FY 2025) vs. NCUA (FY 2024)
Financial Examiner I	B17	\$55,932	\$58,932	\$51,697	\$60,134	-\$1,202	-2.04%
Financial Examiner II	B19	\$62,904	\$66,049	\$63,810	\$74,224	-\$8,175	-12.38%
Financial Examiner III	B21	\$69,728	\$73,214	\$81,664	\$94,992	-\$21,777	-29.74%
Financial Examiner IV	B23	\$79,871	\$83,865	\$94,418	\$109,827	-\$25,962	-30.96%
Financial Examiner V	B25	\$89,817	\$94,308	\$109,773	\$127,688	-\$33,380	-35.39%
*Base Salary (FY 2025) based on 5% increase associated with HB1. Minimum increase of \$3,000.							
**Mid-point salary for position, plus minimum locality adjustment paid by the NCUA in the United States.							

Federal Locality Pay:

One of the Department's biggest challenges in retaining staff is offering competitive pay, relative to the levels paid by our federal counterpart, the National Credit Union Administration (NCUA). While our base pay levels are consistently competitive with the NCUA's, we are unable to provide locality pay as they are. The 2024 locality pay adjustments provided for NCUA examiners in Texas range from 30.32 percent to 46.06 percent, depending upon where the NCUA examiner is headquartered (i.e., Austin, Dallas, or Houston).

With the passage of the Federal Employees Pay Comparability Act in 1990, the revised General Schedule (GS) scale established local salary schedules incorporating locality pay. The locality pay program provides for localized pay differentials (also known as comparability payments) for Federal employees paid under the GS who work in the continental United States. The processes for determining locality adjustments are highly technical. However, the basic hypothesis underlying locality pay is that the differences in the competitiveness of local labor markets affect the federal government's ability to recruit and retain federal workers.

Locality adjustments are paid within each area determined to have a Federal - non-Federal pay disparity greater than 5 percent. There currently are 57 locality pay areas, including the remainder of the U.S. areas of Alaska, Hawaii, and other Non-foreign Areas, defined in 5 CFR Part 591. Locality pay counts toward accumulation of retirement benefits, life insurance coverage, Thrift Savings Plan investment levels, and most other benefits based on salary.

NCUA currently pays its Texas examiners a Locality Pay adjustment as shown below in Table 4. The amount of the adjustment is determined by increasing the base salary by the applicable locality rate (e.g., A Dallas Examiner IV with a base salary of \$80,000 and the locality rate of 38.25 percent is paid a salary of \$110,600).

Table 4: Federal Locality Pay in Texas – 2024

Pay Area	Locality Rate
Houston	46.06%
Dallas	38.25%
Austin	30.32%
Remainder of United States*	16.32%

**Includes areas in Texas not listed.*

In keeping with the Legislature's philosophy, the Department has not paid examiners based on local labor market conditions. Despite regional differences in labor markets and costs of living, the Department pays the same wage for the same job regardless of location.

Examiner Turnover:

The success of the Department depends on the ability of its examiners to detect problems promptly and to adapt supervisory strategies for resolution. Vital to this ability is a skilled, competent examination staff who can independently perform extensive analysis and exhibit sound judgment.

The Department's examiner talent is generally homegrown. Typically, the Department hires recent college graduates, and following a developmental period of three to five years, examiners are deemed self-sufficient and competent to handle most any situation. However, the Department often finds itself in an almost continual process of hiring and replacing examiners who leave before they have reached tenure where they are fully capable and productive, or more tenured staff that feel undercompensated. Examiners that have either voluntarily or involuntarily left the Department from FY 2020 through March 2024, along with the average tenure of departed examiners are displayed in Table 5 below:

Table 5:

Performance Measure	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Annual Examiner Turnover	5.6%	23.2%	17.3%	22.7%	10.9%
Average Tenure of Departed Examiners (Mos.)	53	99	51	19	126
No. of Examiners Hired	1	3	3	5	3

Although the Department's average turnover ratio was low between 2017 and 2020, the high turnover trend among examiners since FY 2020 has been a drain on the agency's resources. Needless to say, a reduction of examiner turnover could improve examination quality and examination effectiveness.

Employee Survey:

Every two years, the Department engages a third-party to conduct a survey of its employees to determine their level of engagement. The survey encompasses several key constructs and highlights areas of strength and of concern. The first indication of the level of employee engagement is the overall response rate to the survey. In the most recent survey conducted in the Fall of 2023, the response rate was 66.7%, which is considered high.

There are twelve different survey constructs to assess the employee's level of engagement. In the Department's most recent survey, 35% of employees were considered Highly Engaged, 20% Engaged; 40% Moderately Engaged and 5% were Disengaged. Scores associated with each construct can range from the low of 100 to a high of 500, with 350 being the tipping point between positive and negative perceptions. The most recent survey reflected 10 construct areas with average scores of 382 and higher; and only two constructs with scores below the tipping point threshold of 350. The two areas with the lowest scores were **Job Satisfaction and Pay**. Both the current scores and the historic scores for these two constructs are displayed in Table 6 below:

Table 6:

Construct	2013	2015	2017	2019	2021	2023	Average
Pay	297	370	363	339	343	296	334.7
Job Satisfaction	385	368	376	354	369	341	365.5

Represents lowest score for this construct over the last six employee engagement surveys over a ten-year period.

Overall, the base salary for Department examiners is based upon an individual's skill, education, and experience. Our goal is to provide base salaries which are competitive with our federal counterpart, the NCUA. If an examiner is underpaid compared to their peers in similar positions, it can result in the examiner feeling underappreciated and becoming unsatisfied with the job. Further, such thoughts can ultimately result in increased turnover due to the examiner(s) pursuing other employment opportunities.

The intent of this proposed initiative is to focus the application of the requested funds toward: 1) the progression (based on performance) of existing non-management employees during FY 2025; 2) for equity adjustments to the lower four tiers of financial examiner positions to improve compensation parity relative to other Texas agencies with similar positions as well as the salaries being paid to federal credit union examiners; and 3) for anticipated promotions of Department staff.

STRATEGIC INITIATIVE FUNDING REQUEST #3

Initiative Name: **Add College Intern**
Priority: **6**

Add College Intern	
Objects of Expense	Estimated Costs
Salary and Wages*	\$32,500
Payroll Related Costs (Equity Adjustments)**	\$6,013
Total	\$38,513

*Salary and wages based on \$25.00/hr. times 25 hours per week for 50 weeks per year.

**Payroll related costs estimated at 18.5 percent of increased payroll amounts.

Description/Justification: The Department is always seeking to identify the next generation of examiners to help us move forward. With this mission in mind, the Department is seeking funding to relaunch a college intern program. The Program will provide degree-related career experience as well as provide exposure to a Regulator's understanding of the credit union industry. Under the Program, students will have opportunities to learn about regulating the credit union industry while they develop practical skills, which can be applied throughout their professional lives. Ultimately, the Program will give the Department the opportunity to build relationships with talented students with the goal of offering regular full-time employment, upon graduation.

External/Internal Factors: The Department has historically placed a high priority on recruiting and retaining a diverse workforce, but the job market continues to evolve which necessitates that we look for new or better ways to adapt to potential workforce challenges ahead. A Program such as this creates work experiences that relate to departmental needs and closely aligns with the student's abilities, professional goals, and areas of interest. Of course, not all students will choose to have a career with the Department; but for those that do, the agency benefits. To the extent that they learn more about credit unions, finance and the ideals of public service, the State also benefits. Those that join other public or private sector firms will be able to exert a positive influence on those organizations.

STRATEGIC INITIATIVE FUNDING REQUEST #4

Initiative Name: **Database and Records Administrator**
Priority: **7**

Database and Records Administrator	
Objects of Expense	Estimated Costs
Salary and Wages	\$75,000*
Payroll Related Costs	\$21,075**
Total	\$96,075

**Based on the high-end of the estimated salary provided by the General Counsel.*

***Based on 18.5 percent payroll related costs and benefits (\$75,000 x 18.5% = \$13,875), plus an additional \$7,200 per year per employee to cover the CUD's contribution for a new employees' health insurance.*

Description/Justification: The Department's General Counsel is proposing this position to enhance our Database Administration and Records documentation and security process. The addition of this office position will increase the Departments number of Full-Time Equivalent employees by one.

The addition of a Database and Records Administrator will provide for a full-time equivalent whose primary job function will be to focus on maintaining databases, developing, and publishing reports, and documenting our digital records policies as mandated by state law.

This will remove some duties from existing IT focused staff which should result in them being able to take on additional responsibilities. It will also provide for greater responsiveness to staff for their reporting, records, and database demands.

The Texas Government Code, Chapter 441, Subchapter L has requirements for preservation and management of state records of state agencies. This position will ensure compliance with these requirements and serves as records officer.

STRATEGIC INITIATIVE FUNDING REQUEST #5

Initiative Name: **Legal Support and Services**
Priority: **8**

Increase Legal Support and Services	
Objects of Expense	Estimated Costs
Annual Legal Support (i.e. training, licensing, legal resources, subscriptions, etc.)	\$15,000
Legal Services (OAG, etc.) – increase to \$35,000 annually	\$9,150
Total	\$24,150

Description/Justification: In conjunction with the approval of the FY 2022 budget in June 2021, a General Counsel position was added for the Department beginning in FY 2022. The position provides our agency with internal expertise for:

- The development of administrative rules,
- Department policy development,
- Department contract reviews,
- Supervisory oversight activities including enforcement endeavors, and
- National and state legislative and regulatory research, including that necessary to address complaints.

The funding of this strategic initiative is to provide:

- 1) annual legal support costs for the Department's General Counsel position. Legal support costs may include items such as training, legal resources (i.e. subscriptions, etc.), licensing fees, etc., and
- 2) additional funding (increased from \$25,850 to \$35,000 per year) for the cost of legal services provided through the OAG's office based on higher costs incurred for FY 2024. The higher costs are associated with the increasing complexity of the industry and situations which may result in litigation, legal opinions/interpretations (e.g., open records), or consultation with, or representation from, the Office of the Attorney General.

In summary, the request for increased funding of this strategic initiative is to cover the ongoing annual costs necessary to support the Department's legal needs. If this strategic initiative is approved, \$50,000 in annual budgeted costs for legal support and services will be recurring each year and included with the Department's annual budget assumptions.

REPLACEMENT/CAPITAL IMPROVEMENT PLAN FY 2025 - 2027

FY 2025

<u>Proposed Capital Improvements:</u>	<u>Estimated Cost</u>
<i>Priority #1: Access Database Upgrade</i>	\$30,000
<i>Priority #4: Hot Spot Access for Examiners</i>	\$10,000
<i>Priority #5: IT Related Maintenance (hardware/software)</i>	\$35,000
<i>Priority #9: Miscellaneous building maintenance/repairs</i>	\$30,000
 Total Funds Requested for Capital Expenditures	 \$105,000

Access Database Upgrade – Priority #1

Database Upgrade	
Objects of Expense	Estimated Costs
Access Upgrade to Current Software Version	\$10,000*
Consulting/training costs for upgraded software	\$20,000**
 Total	 \$30,000

*Based on a software subscription estimate of \$10,000 per year, obtained from the CUD's General Counsel. This cost would be ongoing each year, with anticipated annual increases of 10 percent or less.

**Based on estimate from CUD's General Counsel for consulting costs. Costs are anticipated to decline in subsequent years.

Funding of this capital improvement is necessary to upgrade the Department's existing ACT! Database. Previously, for the FY 2024 budget, the Department had been pursuing a complete changeover of its database to build a hosted solution to manage and report the Department's internal organizational processes. However, after an extensive review of the current ACT! System by our General Counsel, as well as the extensive process of a full database conversion, it was determined that upgrading our existing system was a more reasonable alternative, both from a cost and operational transition perspective. For comprehensive information (i.e., vendors, bids evaluation process, etc.) regarding this strategic initiative, please see Exhibit A, which is the formal recommendation made by the General Counsel on April 2, 2024.

This IT tool is subscription based. The \$10,000 estimate is for 15 licenses for both the basic ACT! Subscriptions and a reporting add on (Impact Act). An additional \$20,000 is requested to use an outside consultant to maximize the functionality of the database and provide training and support necessary.

Provide Hot Spot Access to Examiners – Priority #4

Hot Spot Access for Examiners	
Objects of Expense	Estimated Costs
Verizon Inseego MIFI X Pro Hot Spots	\$10,000*
Total	\$10,000

*Based on an estimate received by the IT Director from Verizon. The cost is \$37.99 per month for each examiner. When fully staffed, there are 22 examiners including field supervisors.

The funding of this capital improvement is to provide examiners with access to internet even when they are working in remote locations. The Department's field examination processes and system are entirely online, so it is critical for field staff to have access to the internet at all times. The Department requests that credit unions load requested examination documents onto the Department's portal. However, if the examination staff is unable to access the requested data, it significantly hinders the examination process. Further, if examiners are working in a location where they are unable to access the online Merit examination module, they are unable to complete their examination work timely in Merit. Lastly, the lack of internet access hampers the examiners' ability to communicate with offsite staff working on the examination and the office, as email is either greatly slowed, or completely unavailable.

The estimated cost for this strategic initiative is based on a government 5G/4G MIFI plan offered through Verizon. The plan will provide 60GB+ of 5G data per month per user. If approved, the cost for this initiative will be ongoing and included in our annual budget assumptions.

IT Maintenance – Priority #5

Hardware, Software and Services	
Objects of Expense	Estimated Costs
Hardware	\$20,000
Software and Services	\$15,000
Total	\$35,000

The funding of this capital improvement is necessary to maintain the Department's network protection functionality and protection protocols. Funds are allocated \$15,000 for various IT related services and to maintain and update software; and \$20,000 (increased from \$15,000) to maintain and update hardware/equipment. This amount is presumed to be part of our ongoing IT costs which occur annually to invest in the necessary infrastructure for security, hardware, software, etc. The costs for this strategic initiative were approved in

conjunction with the approval of the FY 2023 Budget and the Department's annual budget assumptions. However, it was inadvertently left out of the BY24 and BY25 budget assumptions due to an oversight. Some of the proposed Capital Improvements under this initiative for FY 2025 may include:

Hardware:

- Replace Dell PowerEdge R440 Server – est. \$7,000
- New Network Equipment Rack & Sound Suppression for IT Equipment Room – \$5,000
- UPS Backup Battery - \$8,000

Software:

- None

Services:

- Vintage – Install new rack, Install/migrate new server, UPS install and other miscellaneous services - \$15,000

If approved, the IT Maintenance budget will be recurring each year and included as part of the Department's annual budget.

Building Maintenance – Priority #9

Building Maintenance	
Objects of Expense	Estimated Costs
Roof Repairs	\$15,000
General Maintenance	\$15,000
Total	\$30,000

Roof Repairs

The Department's roofing is a low slope with a built-up roof. It has deteriorated and was originally scheduled for replacement in FY 2022. Prior to the scheduled replacement, an assessment of the roof was conducted by Wiss, Janney, Elstner Associations, Inc. (WJE), with a report provided to the Department. The report stated that overall, the roof membrane appeared to be in good and serviceable condition but identified 16 areas where repairs are warranted.

With the FY 2023 budget, it was anticipated that repair of the roof would be recommended by the Texas Facilities Commission (TFC), over replacement. Further, it was anticipated that repairs would cost significantly less than the estimated replacement cost originally projected by the TFC. An informal estimate provided by TFC during the Department's budgetary process was approximately

\$10,000. Since there are unknowns which occur with this type of project, the Department is allocating \$15,000 for the repair(s) in FY 2025.

During FY 2023 and FY 2024, no repairs were completed on the roof due to other Department priorities/challenges (i.e., departure of Commissioner, etc.) which occurred. Consistent with the FY 2024 Capital Improvement Plan, we are recommending the funding and completion of this initiative in FY 2025.

General Building Maintenance

At the present time, there are no specific maintenance items identified for this proposed capital improvement. However, it is anticipated that over the course FY 2025 and in subsequent years, building upgrade/maintenance items will be identified that will be necessary each year. Those items may include, but not be limited to: Painting, Carpeting, Landscaping, HVAC, Replacement of Structural Materials, Parking Lot Painting and Repair, New Plumbing Fixtures, etc.

FY 2026

Proposed Capital Improvements:**Estimated Cost**

IT Maintenance (hardware/software/services)

\$30,000

General building maintenance/repairs

\$20,000

Total Funds Requested for Capital Expenditures

\$50,000

IT Maintenance

This capital improvement is a recurring annual cost and is necessary to maintain the Department's network protection functionality and protection protocols. Funds are allocated \$15,000 for various IT related services and to maintain and update software; and \$15,000 to maintain and update hardware/equipment. This amount is presumed to be part of our ongoing IT costs to invest in the necessary infrastructure for security, hardware, software, etc. These recurring costs were approved in conjunction with the approval of the FY 2023 Budget. Some of the proposed Capital Improvements under this initiative for FY 2026 may include:

Hardware:

- Meraki Switch (MS225-48LP) – est. \$8,000

Software:

- Windows 2022 Server w/Data Gateway (virtual server) – \$5,000

Services:

- Vintage – Install new switch, Install/migrate 2022 server – est. \$7,000

General Building Maintenance

At the present time, there are no specific maintenance items identified for this proposed capital improvement. However, it is anticipated that over the course FY 2025 and in subsequent years, building upgrade/maintenance items will be identified that will be necessary each year. Those items may include, but not be limited to: Painting, Carpeting, Landscaping, HVAC, Replacement of Structural Materials, Parking Lot Painting and Repair, New Plumbing Fixtures, etc.

FY 2027

<u>Proposed Capital Improvements:</u>	<u>Estimated Cost</u>
IT Maintenance (hardware/software/services	\$30,000
General building maintenance/repairs	\$20,000
 Total Funds Requested for Capital Expenditures	 \$50,000

IT Maintenance

This capital improvement is a recurring annual cost and is necessary to maintain the Department's network protection functionality and protection protocols. Funds are allocated \$15,000 for various IT related services and to maintain and update software; and \$15,000 to maintain and update hardware/equipment. This amount is presumed to be part of our ongoing IT costs which occur annually to invest in the necessary infrastructure for security, hardware, software, etc. The recurring costs were approved in conjunction with the approval of the FY 2023 Budget.

General Building Upgrades

At the present time, there are no specific maintenance items identified for this proposed capital improvement. However, it is anticipated that over the course of FY 2025, building upgrade items will be identified that will be necessary beginning in FY 2026 and FY 2027. Those items may include, but not be limited to: Painting, Carpeting, Landscaping, HVAC, Replacement of Structural Materials, Parking Lot Painting and Repair, New Plumbing Fixtures, etc.



Credit Union Department
State of Texas

FY 2025 Annual Operating Plan & Budget

Approved by the Credit Union Commission
On: _____

FY 2025 Annual Operating Plan & Budget

INTRODUCTION

In accordance with Chapter 16 of the Finance Code, the Department has crafted the following *FY 2025 Annual Operating Plan and Budget*. This document aligns the goals and measures developed for the Department's *Strategic Plan for Fiscal Years 2023-2027* with the Department's proposed budget. It aims to improve the links between the Department's resource needs, effectiveness, and outcomes.

THE DEPARTMENT TODAY

The Department is a self-directed and semi-independent agency that is responsible for ensuring a safe and sound credit union system for all Texans. This is accomplished through the effective chartering, regulation, and supervision of Texas-chartered credit unions. The operations of the Department are funded primarily by semi-annual assessments levied on credit unions. The Department receives no state monies from the General Revenue Fund.

As of December 31, 2022, the Department was responsible for regulating and supervising 171 credit unions. Based on the year-end call reports, Texas-chartered credit unions held \$57.0 billion in assets or approximately 40 percent of total aggregate credit union assets in Texas.

GOALS AND OUTCOMES

The Credit Union Commission has established four strategic goals to guide the operations of the Department and to contribute to the achievement of its mission and performance goals. The Commission's goals are:

1. to ensure a safe and sound state credit union industry;
2. to provide a flexible regulatory framework that enables credit unions to provide a full competitive array of financial services;
3. to safeguard the interest of credit union members; and
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.

The Department works to meet these goals by, among other things, detecting violations and potential problems or issues in the Texas credit union system and ensuring that the violations are addressed; crafting rules that strengthen corporate governance and operations; ensuring credit union members are treated fairly; and making sure that the Department's human capital strategies, information technology initiatives, and resources are appropriately aligned to achieve the Department's mission, goals, and outcomes.

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Like other regulatory agencies, the Department has found it challenging to develop measures that accurately depict the outcomes of the agency's activities. In many instances, the effects of the agency's efforts can only be indirectly assessed. The Department intends to continue refining its work in this area as it gains more experience in integrating its budget and performance functions. As part of this effort, the Department will continue to assess alternatives for measuring outcomes that help the public gauge the Department's progress in achieving its mission, as well as assisting staff in meeting their objectives.

Strategic Goal I: To Ensure a Safe and Sound Credit Union Industry

Strategic Objective 1.1: The Department anticipates, understands, addresses, and communicates risk to credit unions. The Department seeks to fulfill this objective by:

1. establishing the appropriate regulatory framework;
2. being a prudent steward of Department resources;
3. ensuring risk-based supervision is properly implemented and focused on material risks to the industry and individual credit unions;
4. identifying emerging risk areas related to industry and individual credit unions;
5. complying with the examination requirements of [7 TAC Section 97.105](#);
6. resolving problem credit unions in a timely fashion, effectively, and when possible, without loss to the share insurance provider; and
7. taking prompt and effective enforcement actions when warranted.

Strategic Objective 1.2: The Department cooperates with other regulatory authorities on common interests. The Department seeks to fulfill this objective by:

1. working effectively with the NCUA, private share insurance providers, and other state regulators to identify and address risks and emerging issues; and
2. implementing and developing new coordination and collaboration agreements with NCUA, private share insurance providers, and other applicable state regulators regarding supervisory activities performed in credit unions and information exchange.

Strategic Objective 1.3: Supervisory methods and analytical tools keep pace with industry changes and appropriately support the broader mission of the Department. The Department seeks to fulfill this objective by:

1. utilizing analytical tools and reports to effectively use the data collected from credit unions to foster informed decision making for supervisory operations and policy;
2. deploying supervisory technology solutions to enhance data quality and provide user-friendly examiner access to key credit union and industry information; and
3. Providing transparency through the Department's reporting.

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Key Performance Measures

- Percentage of credit unions receiving regular examination annually
 - Target for FY 2025: **75%**
- Percentage of applications approved or denied within 60 days
 - Target for FY 2025: **100%**
- Number of state-chartered credit unions
- Number of regular examinations performed
- Percentage of credit unions with composite CAMEL ratings of 1 or 2
 - Target for FY 2025: **85%**
- Percentage of assets held in credit unions with CAMEL ratings of 1 or 2
 - Target for FY 2025: **95%**

Internal Measures

- Number of follow-up contacts made
- Number of enforcement actions issued
- Percentage of credit unions that are “Well Capitalized” as defined by federal statute
 - Target for FY 2025: **95%**
- Percentage of reports mailed to credit unions within 25 days
 - Target for FY 2025: **98%**
- Percentage of total available work time utilized to conduct both regular and remedial examination work
 - Target for FY 2025: **70%***
- Average Cost per Credit Union Examination
- Assets Examined per Examiner Day
 - Target for FY 2025: **\$19.5 million****
- Average time to complete analysis of quarterly financial data
 - Target for FY 2025: **within 40 days after the submittal deadline for the most recent 5300 Call Report**

*Increased from 65% to 70%, based on the increase in this ratio over the past few years as a higher percentage of examination time has been conducted remotely, thus reducing travel time. With reduced travel time, the percentage of E-Time rises. The average E-Time ratio for FY 2023 was 76.06%, and the average for FY 2024 through April 2024 was 75.04%.

**Same as FY 2024 target which was based on FYE 23 results. Will be amended for FY 2025, based upon 95% of actual level realized for FYE 24.

Strategic Goal 2: To Provide a Flexible Legal and Regulatory Framework that Enables Credit Unions to Provide a Competitive Array of Financial Services

Strategic Objective 2.1: Each Commission rule is current, clearly written, and necessary for an effective supervisory process. The Department seeks to fulfill this objective by:

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1. drafting, amending, and implementing rules to fulfill Legislative directives and to ensure relevance to current conditions;
2. conducting the mandatory rule review in accordance with the Commission's approved plan; and
3. implementing rulemaking through successful collaboration and consultation with interested parties.

Strategic Objective 2.2: The Department supports credit union efforts to remain competitive, consistent with safety and soundness. The Department seeks to fulfill this objective by:

1. supporting the continued recognition of the attributes of the state credit union charter through appropriate opinions and rules;
2. developing and modernizing attributes of the credit union charter and the role and status of the industry;
3. enhancing communication with NCUA and other state regulators to facilitate better coordination on issues affecting credit unions; and
4. communicating attributes of the state charter within and outside the Department.

Strategic Objective 2.3: Application procedures are efficient and consistent with safety and soundness. The Department seeks to fulfill this objective by:

1. providing a standardized application package;
2. establishing policies and procedures that provide clear and comprehensive guidance;
3. implementing and maintaining processes for prompt screening of applications; and
4. enhancing existing technology solutions that support effective application operations.

Key Performance Measures

- Percentage of rule changes provided to credit unions within 60 days after adoption
 - Target FY 2025: **100%**

Internal Measures

- Number of new rules adopted
- Number of rules amended
- Number of rules re-adopted without change
- Number of applications processed
- Number of requests for interpretations/opinions of Act and Rules
- Number of contested cases referred to SOAH
- Number of Public Information Act requests processed

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- Number of public forums in which the Department participates
- Total Assets in state-chartered credit unions
- Percentage increase in total aggregate credit union assets
- Percentage of interpretations/opinions issued within 30 days
 - Target FY 2025: **100%**

Strategic Goal 3: Safeguard the Interest of Credit Union Members

Strategic Objective 3.1: All credit union members have reasonable access to credit union services and are treated fairly and lawfully. The Department seeks to fulfill this objective by:

1. reinforcing the importance of fair and honest treatment of credit union members through appropriate supervisory and enforcement action;
2. expanding the agency's role in resolving and/or mediating member complaints handled by the Department;
3. strengthening role in addressing member privacy, information security, and identity theft; and
4. enhancing the Department's consumer compliance examination program.

Strategic Objective 3.2: Credit unions are involved in providing financial services in underserved communities within this State. The Department seeks to fulfill this objective by:

1. supporting the efforts of credit unions to expand their fields of membership to included underserved and low income communities;
2. facilitating the process for credit unions to obtain a low-income designation from NCUA; and
3. participating in financial literacy efforts by the industry and other agencies.

Key Performance Measure

- Percentage of credit unions providing services to low income or underserved populations

Internal Measures

- Number of complaints processed
- Percentage of complaints responded to within **40** days*
 - Target FY 2025: **95%**

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Strategic Goal 4: Develop a Professional and Motivated Staff that Provides Quality Service and Supports Achievement of the Department's Statutory Mission

Strategic Objective 4.1: The Department maintains a competent, highly motivated, and diverse workforce in a fair and inclusive work environment. The Department seeks to fulfill this objective by:

1. maintaining a comprehensive Equal Employment and Workforce Diversity Plan;
2. executing an aggressive recruiting and comprehensive training strategy for new entry-level examiners;
3. developing proactive initiatives focused on the retention of employees, including mentoring, employee feedback, incentives, and recognition programs;
4. creating a leadership development program to support and enhance management succession; and
5. implementing an external hiring strategy to augment specialized skills to enhance the Department's supervision of complex credit unions.

Strategic Objective 4.2: The Department is an efficient, effective, and ethical organization. The Department seeks to fulfill this objective by:

1. ensuring compliance with laws, rules, and stewardship of its resources through program evaluations and a quality management framework;
2. ensuring compliance with the rules, policies and procedures for ethical conduct by its employees;
3. ensuring reliable, secure, modern information technology systems are in place in support of an environment that meets the Department's mission, goals, and objectives; and
4. leveraging technology, with particular focus on information management initiatives, such as records and knowledge management.

Internal Measures

- Percentage of exam related travel cost reduced by remote work
 - Target FY 2025: **20%**

Strategic Objective 4.3: The Department's resource decisions and operations reflect sound financial, security, and risk management principles. The Department seeks to fulfill this objective by:

1. implementing security controls to mitigate risk and to protect confidential information;
2. improving contingency planning for business continuity, including information technology recovery, compliance with Homeland Security requirements, and crisis management strategies; and

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3. achieving reliable, accurate and timely financial resources management information.

Internal Measures

- Annual examiner turnover rate
 - Target FY 2025: **16%**
- Average regulated assets per examiner (billions)
 - Target FY 2025: **\$3.1 billion***
- Number of days of formal training attended by staff
- Number of purchases made from HUB vendors
- Percentage of purchases made from HUB vendors
 - Target FY 2025: **Professional Services - 23.7%; Other Services - 26.0%; and Commodities - 21.1%**
- Percentage of credit unions indicating quality service annually
 - Target FY 2025: **90%**
- Staffing level
 - Target FY 2025: **95%**
- Number of jobs fairs attended
 - Target FY 2025: **2**
- Turnover ratio (excluding retirements)
 - Target FY 2025: **Less than 15%**
- Accreditation by NASCUS Maintained in Good Standing
 - Target FY 2025: **Yes**
- Total Department costs relative to every \$100,000 in assets regulated
 - Target FY 2025: **\$7.79****

*The FY 2024 amount of \$3.0 billion per examiner was based on regulated assets as of March 31, 2023 divided by 19 examiners (fully staffed). As of March 31, 2024, the actual YTD FY 2024 figure is \$3.6 billion based on low staffing levels (currently short 2 examiners) which have occurred throughout the fiscal year. Once the two open field examiner positions are filled, this will reduce the existing level to \$3.1 billion, based on regulated assets as of March 31, 2024 divided by 19 examiners (fully staffed).

**Target based on FY 2023 cost of \$7.42/\$100k of regulated assets times 105% during the fiscal year. The high level of remote work has resulted in restricted travel and greatly reduced costs for several years. However, the cost did increase in FY 2023 as more exams were conducted on-site resulting in a rise in travel costs. It is anticipated even more exams will be conducted on-site for FY 2024 vs. FY 2023 and examiner travel costs for FY 2024 will increase compared to FY 2023 levels. The FY 2024 costs have not yet been computed as we have not reached the FYE.

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DEPARTMENT BUDGET – FY 2025		
REVENUE:		
Operating Fees		\$5,948,556 ¹
Examination Fees		
Application Fees		
Penalties		
Refund/Reimbursement of Expenditures		
Other		
TOTAL REVENUE		\$5,948,556
EXPENDITURES:		
Personnel Expenses		
Salaries and Wages	\$3,631,638	
Payroll Related Costs	1,110,312	
Total Personnel Expenses		\$4,741,950
Travel Expenses		
In State	\$462,020	
Out-of-State	25,000	
Commission	24,000	
Total Travel Expenses		\$511,020
Other Operating Expenses		
Professional Services/Fees	\$236,183	
Materials and Supplies	74,532	
Communications/Utilities	65,989	
Repairs/Maintenance	50,165	
Rentals and Leases	4,900	
Printing and Reproduction	1,000	
Other Expenditures	162,817	
Contingency Reserve Funding	100,000	
Total Other Operating Expenses		\$695,586
TOTAL EXPENDITURES		\$5,948,556
CONTINGENCY RESERVE AS OF April 30, 2024		
		\$1,188,497
FULL-TIME-EQUIVALENT POSITIONS (FTEs)		
		36.0

¹ Budgeted operating fees will be set to cover the actual budget approved by the Commission. Any funds more than the prescribed Contingency Fund Reserve aggregate limit as of August 31, 2024, will also be used to reduce the operating fees for Texas credit unions during FY 2025.

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CUMULATIVE RESOURCES						
Budget Year	2019	2020	2021	2022	2023	2024
Authorized FTE	29.5	30.0	30.0	31.0	33.0	35.0
Actual FTE	29.0	29.0	27.0	27.5	30.0	33.0*
Budgeted Dollars	\$4,260,909	\$4,445,694	\$4,307,682	\$4,894,832	\$5,057,455	\$5,556,986
Actual Dollars Spent	\$3,903,856	\$3,898,009	\$3,524,092	\$3,895,886	\$4,268,776	TBD

*As of June 1, 2024.

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STATUS OF THE STATE CREDIT UNION SYSTEM

G. Status of the State Credit Union System.

BACKGROUND: The Texas economy continued to perform well during the first part of 2024 and the economic outlook remains tempered, but generally optimistic. Overall, it appears that economic growth has reverted to a more historically normal pace of expansion following the post pandemic boom. While job growth in Texas has slowed, employment growth of 3.1 percent in 2023 was well above the national average of 2.0 percent. In March 2024, the Federal Reserve Bank (FRB) of Dallas reported that business outlook surveys had indicated participants anticipated increasing demand over the second and third quarters of 2024, signaling an improved outlook. Subsequent surveys by the FRB of Dallas in early May 2024 indicated no signals of weakness in labor market indicators and the overall outlook remained good with Texas companies expecting stronger activity during the next six months. However, it is important to note the FRB did indicate that banks had reported slowing loan demand and a rise in nonperforming loans.

The unemployment rate for Texas remained at 3.9 percent at month-end March 2024, which was the same level as year-end 2023. The Texas rate was slightly higher than the U.S. unemployment rate of 3.8 percent. In addition, the unemployment rates for three of the four metropolitan areas in Texas remained at or below the state level.

Also, a recent economic snapshot by the Texas Governor's Office stated that Texas continues to lead the nation in an economic resurgence and remains one of the strongest, most diverse economies in the country. Several key statistics provided in the report included the following:

- Texas added 42,660 non-farm jobs in April 2024 and added the most jobs (306k) in the nation over the previous 12 months.
- Texas reached a historic high labor force in April 2024 of 15.2 million.
- Texas reached a new high for total jobs of 14.2 million and has added jobs in 46 of the last 48 months.
- The Texas economy grew faster than the nation as a whole for the sixth quarter in a row, growing at a rate of 5% during the last quarter of 2023.
- The Texas economy is officially the 8th largest economy in the world, valued at more than \$2.4 trillion.

While the financial performance of Texas chartered credit unions remains sound, the first quarter of 2024 resulted in a further decline of some key financial trends. Specifically, loan delinquencies remained at moderate levels with increased loan losses and earnings trends continued to decline. The Return on Average Assets Ratio, a primary measurement of earnings performance, declined to 0.52 percent as of March 31, 2024. This is approximately one-half of the average level for Texas credit unions of 0.96 percent, only fifteen months earlier (December 31, 2022). The rapid decline in earnings trends has been driven by a substantial rise in funding costs, increased credit loss expenses due to deteriorating loan quality, and a rise in operating costs. However, one favorable trend which has occurred during the last fifteen months has been the consistent strengthening of net worth ratios for Texas charters, as net worth growth has outpaced asset growth during each of the last three calendar years. Several key trends for Texas credit unions are provided below:

Key Ratio	2018	2019	2020	2021	2022	2023	Mar. 24
Net Worth/Total Assets	10.82	11.10	10.36	10.43	10.90	11.34	11.27
Delinquent Loans/Total Loans	0.75	0.71	0.75	0.52	0.61	0.81	0.70
Net Charge-Offs/Average Loans	0.68	0.69	0.57	0.36	0.37	0.59	0.66*
Return on Average Assets	0.88	0.88	0.70	1.08	0.96	0.69	0.52
*Reflects Rolling 12-month charge-off ratio.							

While there has been a consistent increase of capital ratios since year-end 2020, external and economic developments have created challenges and hindered the financial performance of credit unions. Thus, it remains essential for credit unions to proactively monitor and adapt to key financial and economic trends to safeguard the financial interests of millions of Texans.

INDUSTRY STATUS: As of **March 31, 2024**, there were **165** state-chartered credit unions in Texas reporting, down four charters from the previous twelve months. Assets in these credit unions totaled **\$58.74 billion**, an increase of **\$1.04 billion** since **March 31, 2023**, for an annualized growth rate of **1.8 percent**. The aggregate net worth ratio is **11.27 percent**, up from the **10.93 percent** level of twelve months ago.

Loans for Texas chartered credit unions totaled **\$42.43 billion** as of **March 31, 2024**. This is an increase of **\$0.48 billion** since **March 31, 2023**, for an annualized growth rate of **1.2 percent**.

Shares for Texas chartered credit unions totaled **\$49.52 billion** as of **March 31, 2024**. This is an increase of **\$0.62 billion**, or **1.3 percent** since **March 31, 2024**.

Texas chartered credit unions average loan delinquency ratio rose significantly to **0.70 percent** as of **March 31, 2024**, compared to a ratio of **0.46 percent** as of **March 31, 2023**.

For **March 31, 2024**, **34** state-chartered credit unions reported year to date net losses of **\$6.67 million**, while the remaining **131** credit unions reported aggregate net income of **\$82.53 million**. A breakdown of the number of credit unions with positive earnings performance, by asset category, is as follows:

Assets Size	# of CUs	# Profitable	% Profitable (03-31-2024)	% Profitable (03-31-2023)	% Profitable (03-31-2022)	% Profitable (06-30-2020)
\$1 Billion & Over	17	16	94%	94%	94%	92%
\$500 to \$999.9 Million	15	11	73%	93%	100%	64%
\$250 to \$499.9 Million	14	10	71%	100%	100%	79%
\$100 to \$249.9 Million	25	19	76%	96%	92%	92%
\$50 to \$99.9 Million	20	17	85%	84%	91%	82%
\$10 to \$49.9 Million	44	35	80%	89%	83%	76%
Under \$10 Million	30	23	77%	75%	57%	55%
Totals	165	131	79%	89%	84%	76%

PROBLEM INSTITUTIONS: While overall the industry is doing well, some moderate to larger-sized institutions face challenges. As of **March 31, 2024**, there were **22** credit unions assigned a composite CAMELS rating of 3 or higher, which was the same number of problems credit unions at **March 31, 2023**. These institutions represent **13.3 percent** of charters and **4.98 percent** of assets under supervision. 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: As of **March 31, 2024**, the Department had the following administrative sanctions outstanding:

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

CHARTERING ACTIVITY

New Charters* 0

***Since last commission meeting**

RECOMMENDED ACTION: No formal action is anticipated.

H

COMMITTEE APPOINTMENTS

H. Discussion and Consideration of the Chair's Designation of a Vice Chair and Appointments to the Commission's Three Standing Committees (Commissioner Evaluation, Rules, and Audit).

BACKGROUND: As required by Commission Policy, the Chair must designate a Vice Chair and appoint members to those committees established by the Commission.

➤ Vice Chair

The Vice Chair serves at the will of the Chair and performs the duties of the presiding officer in the event of an absence or disability.

BACKGROUND: As required by Commission policy, the Chair is charged with the responsibility of appointing members to any committee established by the Commission.

➤ Commissioner Evaluation Committee

The Commission Chair shall appoint a Commissioner Evaluation Committee of at least three members and shall designate one member as Chair. The Commission Chair will serve as an ex-officio member of this committee.

The purpose of the Committee shall be to coordinate the annual evaluation of the Commissioner's performance and to oversee the development and maintenance of a Commissioner succession plan.

BACKGROUND: As required by Commission policy, the Chair is charged with the responsibility of appointing members to any committee established by the Commission.

➤ Rules Committee

The Commission Chair shall appoint a Rules Committee of at least three members and shall designate one member as Chair. The Commission Chair will serve as an ex-officio member of this committee.

The purpose of the Committee is to conduct thorough deliberations and scrutiny of proposed rulemaking and assigned projects, and to bring to the Commission the results of its deliberations and its recommendation for Commission action.

BACKGROUND: As required by Commission policy, the Chair is charged with the responsibility of appointing members to any committee established by the Commission.

➤ **Audit Committee**

The Commission Chair shall appoint an Audit Committee of at least three members and shall designate one member as Chair. The Commission Chair will serve as an ex-officio member of this committee.

The purpose of the Committee is to implement and oversee an independent audit program of the Department's financial reporting process.

NOTE: Without objection, the minutes of the meeting will reflect the Chair's appointments to the Commissioner Evaluation Committee, Rules Committee and Audit Committee as presented.

I

LITIGATION UPDATE

I. 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 of 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 we have been told a Motion for Summary Judgment has been drafted.

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 an Order Approving Application that was geographically limited to nine counties instead of the 354 counties requested.

A final SOAH hearing has been conducted and we are awaiting the final Administrative Law Judge's Proposed For Decision. When this is received the Commission will have 30 days to review and make its determination pursuant to Chapter 93 of the Rules for Credit Unions.

Please be aware of the Rule related to Ex Parte Communications (below):

§93.203. Ex Parte Communications. (a) Upon receipt of a request for hearing and continuing until the time a motion for rehearing is denied, the time for ruling on such a motion has expired, or the proceeding is otherwise final, the commissioner and members of the commission may not communicate directly or indirectly with any party or a representative of a party in a contested case in connection with any issue of fact or law in the contested case except upon notice and opportunity for each party to participate. (b) The commissioner and members of the commission may communicate ex parte with employees of the department who did not participate in any hearing in the case in order to utilize special skills or knowledge of the department's staff in evaluating the record in the case. Prohibited ex parte communications shall not include any written communication if the communicator contemporaneously serves copies of the communication on all parties to the contested case.

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

J

FUTURE COMMISSION MEETINGS

J. Next Commission Meeting – Discussion of possible date change for the November meeting to November 8, 2024.

ADJOURNMENT

FUTURE CREDIT UNION COMMISSION MEETING DATES

**(Tentatively)
Friday, November 8, 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

Race	Sex	Annual Salary	Tenure	
ASIAN				
	Summary for M (2 detail records)	\$ 88,496	12.39	Avg
	Summary for 'Race' = ASIAN (2 detail records)	\$ 88,496	12.39	Avg
BLACK				
	Summary for F (5 detail records)	\$ 102,872	9.95	Avg
	Summary for M (2 detail records)	\$ 77,908	5.62	Avg
	Summary for 'Race' = BLACK (7 detail records)	\$ 95,740	8.72	Avg
HISPA				
	Summary for F (4 detail records)	\$ 82,351	16.39	Avg
	Summary for M (4 detail records)	\$ 73,612	2.37	Avg
	Summary for 'Race' = HISPA (8 detail records)	\$ 77,982	9.38	Avg
NHOPI				
	Summary for F (1 detail record)	\$ 48,600	1.33	Avg
	Summary for 'Race' = NHOPI (1 detail record)	\$ 48,600	1.33	Avg
WHITE				
	Summary for F (2 detail records)	\$ 90,402	2.17	Avg
	Summary for M (10 detail records)	\$ 101,880	10.73	Avg
	Summary for 'Race' = WHITE (12 detail records)	\$ 99,967	9.30	Avg
TOTALS				
	30	\$ 90,641	9.13	Avg

TEXAS CREDIT UNION DEPARTMENT

Average Salary and Tenure by Race and Sex (ADMIN)

Race	Sex	Annual Salary	Tenure	
HISPA				
	Summary for F (2 detail records)	\$ 78,310	24.44	Avg
	Summary for M (1 detail record)	\$ 119,681	7.34	Avg
	Summary for 'Race' = HISPA (3 detail records)	\$ 92,100	18.74	Avg
NHOP				
	Summary for F (1 detail record)	\$ 48,600	1.33	Avg
	Summary for 'Race' = NHOP (1 detail record)	\$ 48,600	1.33	Avg
WHITE				
	Summary for F (2 detail records)	\$ 90,402	2.17	Avg
	Summary for M (4 detail records)	\$ 134,726	14.40	Avg
	Summary for 'Race' = WHITE (6 detail records)	\$ 119,951	10.33	Avg
TOTALS				
	10	\$ 104,461	11.95	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	12.39	Avg
	Summary for 'Race' = ASIAN (2 detail records)	\$ 88,496	12.39	Avg
BLACK				
	Summary for F (5 detail records)	\$ 102,872	9.95	Avg
	Summary for M (2 detail records)	\$ 77,908	5.62	Avg
	Summary for 'Race' = BLACK (7 detail records)	\$ 95,740	8.72	Avg
HISPA				
	Summary for F (2 detail records)	\$ 86,392	8.33	Avg
	Summary for M (3 detail records)	\$ 58,256	0.72	Avg
	Summary for 'Race' = HISPA (5 detail records)	\$ 69,510	3.76	Avg
WHITE				
	Summary for M (6 detail records)	\$ 79,983	8.28	Avg
	Summary for 'Race' = WHITE (6 detail records)	\$ 79,983	8.28	Avg
TOTALS				
	20	\$ 83,731	7.71	Avg

Credit Union Department

Executive Summary

As of 05/31/24

*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	165	165		
Total Assets (Millions)	*59,167	*57,494	* 57,567	*57,666	*58,735		
APPLICATIONS (Received)							
Charters	0	0	0	0	0		0
Foreign Branches	0	0	0	0	0		0
Conversions	2	0	0	0	0		0
Mergers	8	2	3	0	3		6
Bylaws	59	53	29	10	15		54
Articles of Incorporation	4	5	0	0	2		2
Total	73	60	32	10	20	0	62
EXAMINATION ACTIVITIES							
Regular	98	79	21	23	15		59
Joint	50	59	23	17	19		59
Remedial	38	36	7	6	12		25
Total	186	174	51	46	46	0	143
ENFORCEMENT ACTIONS (In Force)							
Determination Letters	1	1	1	2	3		
LUAs	0	0	0	0	0		
Cease & Desist Orders	3	3	0	0	1		
Dividend Restrictions	0	0	0	0	0		
Conservatorships	1	0	0	0	0		
Liquidations	1	1	1	1	1		
Total	6	5	2	3	5	0	
PERSONNEL STAFFING							
Field Examiners	17	18	19	18	20		
Total Personnel	27	30	31	30	31		
FINANCIAL OPERATIONS (In Thousands)							
Budgeted Expenditures	4,902	5,058	1,440	1,340	1,340		4,120
Actual Expenditures	3,942	4,320	1,071	1,116	1,210		3,397
Gifts and Bequests	n/a	n/a	n/a	n/a	n/a		n/a
Actual Revenue	16,145	4,648	2,783	53	2,067		4,903

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	4	0	0	
Add: Applications Filed	2	0	3	0	3	0	
Less: Approved	0	1	0	4	0	0	
Denied/Withdrawn	0	0	0	0	0	0	
Pending at End of Period	7	1	4	0	3	0	
BYLAWS							
Pending at Beginning of Period	10	14	20	16	11	0	
Add: Applications Filed	7	10	29	10	15	0	
Less: Approved	16	4	31	7	14	0	
Denied/Withdrawn	0	0	2	8	0	0	
Pending at End of Period	1	20	16	11	12	0	
ARTICLES OF INCORPORATION							
Pending at Beginning of Period	2	0	0	0	0	0	
Add: Applications Filed	0	1	0	0	2	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	2	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	35	35		
2	111	108	110	108	107		
3	19	20	20	20	19		
4	4	2	3	2	4		
5	2	1	0	0	0		
Total	173	168	168	165	165	#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 05/31/2024
Determination Letters	1	1	1	1	2	0	3
LUAs	0	0	0	0	0	0	0
Cease & Desist Orders	3	3	0	3	0	2	1
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	3	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	15	79%	9%	100%
Joint	13	19	146%	11%	100%
Remedial	7	12	171%	7%	100%
Total	39	46	118%	29%	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	141	181		455
Closed	343	400	118	139*	149		267
Avg. Days to Process	17.75	25.05	27.5	27.3	30.8		28.53
% Resolved in 40 Days	98%	97%	100%	97%	96%		98%

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		1			1
Denial	2	0					0
Loan Issues	23	62	18	30	29		77
Credit Report Issues	68	69	22	23	27		72
Insurance - CPI, GAAP, Property, etc	2	4		1			1
ACCOUNT ISSUES							
Discrimination	7	7		2	3		5
Electronic Funds Transfer	7	0	1				1
Holds on Checks	6	15	6	3	4		13
Estate/Probate	4	0			2		2
Fraud/Unauthorized	61	94	25	31	32		88
Fees	27	27	9	7	12		28
Billing Disputes	40	35	4		4		8
Other	24	45	24	36	31		91
OTHER PRODUCTS/SERVICES							
Account/Loan Balance	14	4					0
Account Closed/Frozen	12	17	6	1	2		9
Customer Service	21	8	3	2	3		8
Deceptive Advertisement	1	6		1			1
Vehicle Title	6	3					0
Website Issues	1	0					0
TOTAL	343	400	118	138	149	0	405

* Complaint filed by Lopez was incorrectly marked as closed for the 2nd quarter due to oversight.

Complaint still being investigated and not closed officially.

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		3	1		4
Federal-to-State	3	2	1	1	2		4
State-to-Federal	0	0					0
Total	6	4	1	4	3	0	8
Assets:							
State-to-State	217,230,754	35,995,817		16,714,216	39,796,125		56,510,341
Federal-to-State	585,792,596	130,060,407	1,818,673	3,561,589	230,368,022		235,748,284
State-to-Federal	-	-					0
Total	803,023,350	166,056,224	1,818,673	20,275,805	270,164,147	0	292,258,625
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: 03/01/2024 thru 05/31/2024

		Number
Total Visits:		
	Number of Visits	12,400
	Visitors	5,119
	Page Views	26,110
	Number of Repeat Visitors	5,111
	Average Pages per Visit	2.11
	Average Visit Duration	0:04:01
	New Visitors	9,614
Most Requested Pages:		
	Home	7,381
	Locate/Research a Credit Union	2,266
	Texas Rules for Credit Unions	1,720
	Frequently Asked Questions	1,663
	Job Postings	1,188
	File a Complaint Against a Credit Union	1,156
Most Downloaded Files:		
	Rules for Credit Unions (PDF)	852
	List of Texas State-Chartered Credit Unions (PDF)	313
	Finance Code	209
	Job Postings - Financial Examiner I - Houston	200
	April 2024 Newsletter	145