

CREDIT UNION COMMISSION MEETING MINUTES
Credit Union Department Building
914 East Anderson Lane, Austin, Texas
July 19, 2024

A. CALL TO ORDER -- Chair Jim Minge called the meeting to order at 9:00 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, Becky Ames, Karyn Brownlee, Beckie Stockstill Cobb, Cody Huggins, and Kay Rankin-Swan. Karen Miller, was in attendance to serve as legal counsel for the commission. Representing the Department staff were Commissioner Michael S. Riepen, 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 (**June 20, 2024 TRD#2024003639**).

❖ **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.

❖ **RECEIVE REQUESTS AND MOTIONS FOR EXCUSED ABSENCES** -- Chair Minge inquired if there were any requests or motions to excuse an absence. Mrs. Brownlee moved to excuse commission members David Bleazard and David Shurtz from the Commission meeting on July 19, 2024. Mrs. Swan seconded the motion, and the motion was unanimously adopted.

B. MINUTES OF PREVIOUS MEETINGS (March 22, 2024) -- 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. Cobb moved for approval of the minutes of

March 22, 2024, as presented. Mrs. Ames seconded the motion, and the Commission carried the motion unanimously.

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 – Commissioner Riepen reported that in August of 2023 the Commission approved an Internal Audit Charter and Plan, reviewing different high risk operational areas in successive years. An internal audit has been conducted for FY 2024 of the Department’s examination process. Commissioner Riepen called on Internal Auditor, Daniel Graves from Weaver and Tidwell, L.L.P to give his report. Mr. Graves reported that they have completed the internal audit plan for the current year, except for one report where guidance has not been issued yet. Furthermore, he explained that the first audit completed as a part of the three-year plan was the audit of examinations, as this is one of the most significant functions of the Department. Mr. Graves reported that this audit received a “Strong” rating for all objectives.

After a short discussion, Mrs. Swan moved that the Commission approve the FY 2024 Internal Audit Report and its submission to the State Auditor’s Office. Coming upon a recommendation from the Audit Committee, a standing committee of the Commission, no second is needed to consider the vote on the issue.

(2) DISCUSSION OF AND POSSIBLE VOTE TO TAKE ACTION ON THE FY 2025 INTERNAL AUDIT PLAN. Commissioner Riepen reported that in August 2023, the Commission approved an Internal Audit Charter Plan, reviewing different high risk operational areas in successive years. The plan is to focus on Information Technology Services and Enforcement Administration for FY 2025.

After a brief discussion, Mrs. Swan moved that the Commission approve the FY 2025 Internal Audit Plan. Coming upon a recommendation from the Audit Committee, a standing committee of the Commission, no second is needed to consider the vote on the issue.

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 REPAIR, RENOVATION, AND NEW CONSTRUCTION ON HOMESTEAD PROPERTY), AND CHAPTER 153 (RELATING TO HOME EQUITY LENDING), AND RE-ADOPTION OF RULES. –

Commissioner Riepen reported that the Texas Finance Commission and the Texas Credit Union Department (commissions) have completed the rule review of the following chapters in the 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 the Texas Government Code, Section 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*. 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.

After a short discussion, Mrs. Bayless moved that 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 readoption of rules.

Coming upon a recommendation from the Rules Committee, a standing committee of the Commission, no second is needed to consider the vote on the issue.

(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. The Texas Finance Commission and the Texas Credit Union Commission (commissions) propose amendments to Section 151.1 (relating to Interpretation Procedures). In general, the purpose of the proposed rule changes to 7 TAC Chapter 151.1 is to implement changes resulting from the commissions' review of the chapter under the Texas Government Code, Section 2001.039. Notice of the review of 7 TAC Chapter 151 was published in the *Texas Register* on March 29, 2024. The commissions received no official comments in response to that notice. This specifies that any petition for the Texas 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.

After a brief discussion, Mrs. Bayless moved that the Commission approve the proposed amendments.

Coming upon a recommendation from the Rules Committee, a standing committee of the Commission, no second is needed to consider the vote on the issue.

E. DISCUSSION AND CONSIDERATION OF THE DEPARTMENT'S FY 2024 BUDGET AND FINANCIAL PERFORMANCE. Commissioner Riepen reported that 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 Commissioner highlighted 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 at \$213,979 as some database conversion costs have not yet been billed. Other below budget items include personnel expenses at \$266,434 and travel expenses at \$79,511.

After a short discussion, the Commission took no action.

F. DEPARTMENT'S OPERATING PLAN AND BUDGET FOR FISCAL YEAR 2025 – Commissioner Riepen explained that 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 details 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).

- **Melodie Durst, Executive Director, Credit Union Coalition of Texas,** offered her appreciation for the discussion today. She believes it has been a great dialogue. She appreciated the interest in this process, but also wanted to extend her thanks to Commissioner Riepen, Robert Etheridge and staff by

spending time with her and colleague Suzanne Yashewski from the Cornerstone League going over the budget. Furthermore, she wants the Commission to know that she had the opportunity earlier to discuss and talk about these initiatives and how much it was appreciated.

Mrs. Durst went on to ask Commissioner Riepen about a footnote in the budget related to the operating fee. She was not sure if this would involve potential changes to the rule, but she noted that she would like to be involved in discussions if any changes were going to be proposed. Commissioner Riepen responded that he was not looking at adjusting the operating fees schedule at this time, and that perhaps that footnote was added that should not have been in there. He emphasized that he is not proposing any changes in the Operating Fee rule in FY25.

After a brief discussion, Mrs. Cobb moved that the Commission adopt the proposed FY 2025 Operating Plan and Budget with a total budget of \$5,948,556 and 36 FTEs. Mrs. Swan seconded the motion, and the Commission carried the motion unanimously.

G. STATUS OF THE STATE CREDIT UNION SYSTEM – Commissioner Riepen indicated that the Texas economy continued to perform well during the first part of 2024, and the economic outlook is tempered, but generally optimistic. 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. 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 unemployment 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. While the financial performance of Texas chartered credit unions remains sound, the first quarter in 2024 resulted in a further decline in some key financial trends. Specifically, although loan delinquencies remain at moderate levels, there are

increased loan losses and continued declines in earnings trends. The Return on Average Assets Ratio (ROAA), a primary measurement of earnings performance, declined to 0.52 percent as of March 31, 2024. This is approximately one-half the December 31, 2022, average ROAA of 0.96 percent. While there has been a consistent increase in 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.

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

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) – Chair Minge noted that as stipulated in Commission Policy, the Chair was reappointing Liz Bayless as Vice Chair of the Commission. Mr. Minge also designated members to serve on the three standing committees and noted that the minutes should reflect the following appointments:

✚ **Commissioner Evaluation Committee**

Karyn Brownlee, Chair
Kay Swan
David Shurtz

✚ **Rules Committee**

Liz Bayless, Chair
David Shurtz
Becky Ames

✚ **Audit Committee**

Beckie Stockstill Cobb, Chair
Cody Huggins
David Bleazard

After a brief discussion, the Commission took no action.

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

J. AGENDA ITEMS, ARRANGEMENTS, AND DATES. Chair Minge inquired if anyone had any suggested agenda items for our November 8th meeting. No requests were received.

ADJOURNMENT – There being no further business for the Credit Union Commission, Chair Minge adjourned the meeting at 9:33 a.m.

Jim Minge
Chairman

Isabel Velasquez
Recording Secretary

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