



Newsletter

No. 12-24



December 18, 2024



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The Credit Union Department (CUD) is the state agency that regulates and supervises credit unions chartered by the State of Texas. The Department is professionally accredited by the National Association of State Credit Union Supervisors (NASCUS) certifying that CUD maintains the highest standards and practices in state credit union supervision.

Our **Mission** is to safeguard the public interest, protect the interests of credit union members and promote public confidence in credit unions.

Credit Union Commission

The Commission is the policy making body for CUD. The Commission is a board of private citizens appointed by and responsible to the Governor of Texas.

Members:

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

Next Commission Meeting

Friday, March 21, 2025, beginning at 9:00 a.m. in the offices of CUD.

Allowance for Credit Losses (ACL) Policy

A key component of a credit union's ACL Policy is the methodology being utilized for computing their ACL account balance. A credit union's ACL methodology relative to a credit union's loan portfolio should address compliance with Generally Accepted Accounting Principles (GAAP) and include:

- a selection, review and approval of a macroeconomic* forecast,
- a description of management's process in determining individual reserve assessments for loans with different loss characteristics than the credit union's various loan segments,
- a well-documented framework for qualitative adjustments permitted under Accounting Standards Codification (ASC) 326, which is supported by management's identification of risks of loss, and
- the estimate of reserves for unfunded commitments when appropriate.

*Macroeconomics focuses on the performance of the economy, and changes in inflation, interest, etc.

It is also important to note that GAAP does not generally support assigning zero reserves for pools of loans except for savings/certificate secured loans. A credit union's ACL allocations should not be determined based solely on past loss histories within its various loan segments. Instead, ACL accounts should be funded based on the expected future (forward looking) losses of the credit union's loan pools as determined by the results of a GAAP compliant ACL model/methodology. Additional information pertaining to GAAP compliant ACL methodologies and governance of such can be found at:

<https://www.federalreserve.gov/supervisionreg/topics/faq-new-accounting-standards-on-financial-instruments-credit-losses.htm>

<https://publishedguides.ncua.gov/examiner/Content/ExaminersGuide/AllowanceCreditLoss/RiskManagement/Governance.htm>

Credit union management and officials are encouraged to consult with their external auditor to ensure their ACL methodology is compliant with GAP.

Rule Review Stakeholder List

The Department is creating an email list to inform stakeholders when rules are being reviewed prior to recommendations to the Rules committee. The purpose is to invite input from stakeholders when reviewing rules and considering amendments. If you are interested in being included, please send your email address to cudmail@tud.texas.gov. Feel free to pass it on!



Publication Deadlines

To meet the submission deadlines for the applicable issues of the Texas Register, it is necessary for the Department to establish the schedule shown below. Completed applications received after the deadline for the month cannot be published until the following month.

<u>Publication Date</u>	<u>Application Deadline</u>
January 2025	Friday, January 10
February 2025	Friday, February 14



Applications Approved

There were no applications approved.

Applications Received

The following applications were received and will be published in the **December 27, 2024**, issue of the *Texas Register*.

Field of Membership

Alliance CU (Lubbock) – Members of Cornerstone Credit Union Foundation, to be eligible for membership in the credit union.

Education CU (Amarillo) – Members of the Education Credit Union Foundation.



Upcoming Holiday Schedule for CUD

The Department’s office will be closed on **December 23 at (12.00 p.m.) and all-day December 24-26, 2024**, in observance of the Christmas Holidays and **January 1, 2025**, in observance of the New Year.

This newsletter is produced monthly as a part of the Department's continued communication outreach with the credit unions it regulates. Delivery is generally provided by electronic notification of its availability on the Department's website.

Suggestions and comments concerning the newsletter, or its content are welcomed.

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



**The Credit Union Commission and Staff of the Department would like to extend our best wishes for a New Year of Health, Happiness, and Prosperity.**