



## CREDIT UNION COMMISSION MEETING

*Credit Union Department Building  
914 East Anderson Lane  
Austin, Texas 78752*

**Friday, July 18, 2025  
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](http://www.cud.texas.gov) on the day of the meeting, July 18, 2025 at 9:00 a.m.**

**An electronic copy of the agenda is now available at [www.cud.texas.gov](http://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 18, 2025. To obtain a recording, please contact Joel Arevalo 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.



## **A. CALL TO ORDER**

### **TEXAS CREDIT UNION COMMISSION MEETING**

#### **Commission Members**

- *Jim Minge, Chair*
- *Becky L. Ames*
- *David Bleazard*
- *Karyn C. Brownlee*
- *Beckie Stockstill Cobb*
- *Cody R. Huggins*
- *Sara Jones Oates*
- *David F. Shurtz*
- *Kay Rankin Swan*

#### **Legal Counsel**

- *Karen L. Miller*

#### **Credit Union Department Staff**

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

**B.**

**B. APPROVE MINUTES OF THE MARCH 21, 2025,  
CREDIT UNION DEPARTMENT COMMISSION  
MEETING**

A draft copy of the minutes for the March 21, 2025 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 21, 2025 be approved as presented.

**CREDIT UNION COMMISSION MEETING MINUTES**  
**Credit Union Department Building**  
**914 East Anderson Lane, Austin, Texas**  
**March 21, 2025**

**A. CALL TO ORDER** -- Chair Jim Minge called the meeting to order at 9:02 a.m. in the conference room of the Credit Union Department Building, Austin, Texas, pursuant to Chapter 551 of the Texas Government Code, and declared that a quorum was present. Other members present included Liz Bayless, David Bleazard, Karyn Brownlee, Beckie Stockstill Cobb, Cody Huggins, David Shurtz and Kay Rankin-Swan. Member Becky Ames was in attendance via videoconference. The Chair introduced Karen L. Miller, General Counsel for the Department, who will 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, Executive Assistant Isabel Velasquez and Executive Assistant Brenda Medina. 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 (**March 7, 2025 TRD#2025001368**).

❖ **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 (October 25, 2024 and November 8, 2024)** -- The Chair referred the members to the draft minutes of the previous meetings 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 October 25, 2024 and November 8, 2024, as presented. Mrs. Cobb seconded the motion, and the Commission carried the motion unanimously.

**C. (1) ADOPTION OF THE COMPLETED RULE REVIEW OF 7 TAC, PART 6, CHAPTER 97, SUBCHAPTER A (GENERAL PROVISIONS), SUBCHAPTER B (FEES), SUBCHAPTER C (DEPARTMENT OPERATIONS), SUBCHAPTER D (GIFTS AND BEQUESTS), SUBCHAPTER E (ADVISORY COMMITTEES), AND SUBCHAPTER F (RULEMAKING) AND READOPTION OF RULES.** – Commissioner Riepen reported that Section 2001.039, Government Code, requires that a state agency review and consider for readoption each rule not later than the fourth anniversary of the date on which the rule took effect and every four years after that date. At its March 22, 2024 meeting the Commission approved a plan which establishes a date for the required review for each of the affected rules. In accordance with that plan, staff has reviewed **7 TAC, Part 6, Chapter 97, Subchapter A (General Provisions), Subchapter B (Fees), Subchapter C (Department Operations), Subchapter D (Gifts and Bequests), Subchapter E (Advisory Committees), and Subchapter F (Rulemaking)** and believes certain revisions are appropriate and necessary. Amendments to the noted chapters are being separately presented for proposal. No comments were received regarding the review. The Department believes that the reasons for adopting the noted rules continue to exist.

After a short discussion, Mrs. Bayless moved that the Commission find the reasons for adopting these rules continue to exist. 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.

**(2) Proposed Amendments to 7 TAC, Part 6, Chapter 97, Subchapter A, Section 97.101 (Related Entities)** – General Counsel Karen Miller reported that it was determined that no action was needed on this item.

**(3) Proposed Amendments to 7 TAC, Part 6, Chapter 97, Subchapter B, Section 97.113 (Fees and Charges).** General Counsel Karen Miller reported that the proposed amendments will better organize the fees section, allow adjustments based on the budget for both semi-annual assessments instead of only the second assessment and add the ability to recover direct contractual obligations related to expenditures paid to third parties. Lastly, we are requesting a mechanism to charge user-based fees, subject to Commission approval. Ms. Miller proceeded to explain each section accordingly:

**Operating Fees** – Much of the current rule relates to operating fees. The provisions were not grouped together. The proposed changes will now list all details of operating fees under Section (a) of the same section. A change was made to the installment adjustment provisions to allow for adjustment of either the first or final operating fee installment. This comes from a response to a recommendation in the Sunset Commission review. Also, the hourly rate for supplemental or special examinations is requested to be increased from \$50 to \$100 to more appropriately reflect staff costs.

**Foreign Credit Unions** – The fees for foreign credit unions were not grouped together. Recommended change to group the fees together so they are all under Section (d) of the rule. Also requested to increase the administrative fees for branch offices from \$500 to \$1,000 and membership expansion requests from \$200 to \$1,000.

**Contract Services** – The amendment is requested for the Commissioner to charge a credit union contract expense incurred by the Department solely related to regulating that specific credit union and paid to third parties. This would allow the recovery of direct costs incurred, such as administrative appeals to SOAH, as opposed to those expenses being borne by all regulated credit unions through their operating fee assessment.

**User Fees** – This amendment will allow the Commissioner to propose certain user fees to offset costs involved in administrative functions. The Department is not recommending any user fees at this time. Ms. Miller reported the rule change allows an additional tool during the annual budgeting process should we anticipate expenditures in excess of normal operating fee assessments. Fees would be considered as an alternative to assessing a discretionary operating fee increase to be paid by all credit unions. Finally, any proposed fees would require official Commission approval and review at least every two years.

Chair Minge opened the floor to the public for discussion.

- **Suzanne Yashewski – Regulatory & Compliance Counsel – Cornerstone League.** Ms. Yashweski stated that she had a discussion with their state working group and the preferred approach is to keep the fees in the rule as is currently happening, rather than pulling out from the fee schedule. She stated the group would like the opportunity for comment before decisions are made on those specific fees and recommends that section (f) be stricken.
- **Melodie Durst, Executive Director, Credit Union Coalition of Texas.** Mrs. Durst addressed the Commission by saying that there had been a detailed conversation at the Rules Committee meeting on this subject and was echoing what Suzanne said on behalf of the coalition members. Mrs. Durst reported that she contacted a few state agencies and it is her understanding that the Department of Banking does not have a fee schedule. She was informed that it is their normal operating fees that cover anything associated with examinations and complaints. She further explained that she called the complaint hotline to see what they said and she got the same message. Furthermore, she reminded the Commission to be mindful that the governor has directed state agencies to take a closer look at not only efficiencies, and

how to reduce regulatory burden on the businesses that they regulate, but also look at cost efficiencies.

- **Suzanne Yashewski – Regulatory & Compliance Counsel – Cornerstone League.** Ms. Yaskewski explained that since the topic of complaints has come up, she wanted to make a comment on some of the further discussion that her group had specifically about the complaint issue. She explained that when looking at the breakdown, the couple of credit unions that have a significant number of complaints are from large credit unions and part of the concern we have with this fee schedule approach is one of setting a threshold over which a certain number of complaints requires an assessment of fees for future complaints. We need to consider that a very small credit union has substantially less members than a very large credit union.

After a lengthy discussion, Mrs. Swan moved that the Commission approve the publication and comment on the proposed amendments to **7 TAC, Part 6, Chapter 97, Subchapter B, Section 97.113**. 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. In favor of the publication and comment of this rule were Kay Swan, Cody Huggins, Beckie Cobb, Liz Bayless, Becky Ames and Jim Minge. Those opposing the publication and comment on this rule were David Shurtz, David Bleazard and Karyn Brownlee.

**(4) Proposed Amendments to 7 TAC, Part 6, Chapter 91, Subchapter A, Section 91.101 (Definitions and Interpretations).** Commissioner Riepen reported that the requested amendment replaces the phrase “political jurisdiction” with “political subdivision”. It also adds a definition for political subdivision. It is necessary to avoid confusion about unifying characteristics and provide consistency with other provisions in the rules referencing “political subdivision”.



After a short discussion, Mr. Bleazard moved that the Commission approve the publication and comment on the proposed amendments to **7 TAC, Part 6, Chapter 91, Subchapter A, Section 91.101**. 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.

**D. (1) Commissioner Succession Plan Implementation  
(2) Commissioner Applicants and Hiring Process**

Chair Brownlee reported that the Commissioner Evaluation Committee met on March 20, 2025, at a public meeting in the event of a planned or unplanned departure of the Commissioner. The Evaluation Committee is to assume responsibility for the Credit Union Department's Commissioner succession plan for choosing a new Commissioner. Our current Commissioner has announced his resignation, with a target date of November 2025. At this time, we would like to thank the Commissioner for the advance notice in the generous length of time afforded for our committee to identify, interview and recommend quality candidates to the Commission. For his replacement at the March 20, 2025 meeting, our committee reviewed the existing succession plan, and we found no need for amendments. We also reviewed a draft of a hiring plan and selection process prepared by staff for our consideration. After much deliberation, the draft was amended and adopted as our committee's action plan. The committee directed staff to post the job opening for the Commissioner on nine specific websites no later than March 28, 2025, and remain active through May 16, 2025. During this time, the Staff Services Officer will report to the Chair of the Evaluation Committee with the applications as they are received. Furthermore, the committee directed staff to obtain at least three proposals from recruitment firms to include a nationwide search and to carry them through the State's procurement process. This directive does not indicate any decision or commitment by the committee to utilize the search firm. It is merely to prepare for the potentiality of employing a search firm if it is necessary

by the committee. It is anticipated that the next committee meeting will be held in the first week of June.

After a short discussion, the Commission took no action.

**E. DEPARTMENT'S FY 2025 BUDGET AND FINANCIAL PERFORMANCE** – Commissioner Riepen reported that in 2024 the Commission adopted a strategic plan for Fiscal Years 2025-2029. The \$5.9 million FY 2025 budget approved by the Commission in July 2024 includes the maintenance and operating budget and capital improvement budget in support of the Strategic Plan. At the end of the five months total expenditures were \$245,447 or approximately 10.2 percent less than budgeted projections. The primary expense categories below budget estimates include personnel Expenses (\$150,438) and travel expenses (\$61,646).

After a brief discussion, the Commission took no action.

**F. DEPARTMENT'S FY 2026 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 2026 budget at the July meeting. Mr. Riepen briefly highlighted the different budget items.

Commission member David Bleazard questioned item **#7 Merit Increases** – staff is proposing the merit increase awards at 4 percent of the total salaries for those positions. Mr. Bleazard questioned whether that was enough due in part to higher inflation, and he worried that it is not enough. Deputy Commissioner Etheridge addressed Mr. Bleazard's concerns and responded that the 4% represents a merit pool that is typically used not only for increases, but also for promotions. Mr.

Bleazard reiterated that he wants to make sure we can keep staff working for the Department.

After a short discussion, Mrs. Brownlee moved that the Commission adopt the proposed budget assumptions and parameters for FY 2026 as recommended by staff. Mrs. Cobb seconded the motion, and the motion was unanimously adopted.

**G. STATUS OF THE STATE CREDIT UNION SYSTEM** – Deputy Commissioner Etheridge briefly noted that the Texas economy performed well throughout 2024, with employment growth of 1.7 percent during the year. According to the Federal Reserve of Dallas, total jobs added during 2024 reflected strong gains in the oil and gas, financial services and construction sectors. Furthermore, the Texas Employment Forecast indicates jobs will rise by 1.6 percent during 2025, which implies that approximately 225,000 new jobs will be added during the year.

The unemployment rate for Texas was 4.2 percent as of the year-end 2024, representing a slight increase from the 3.9 percent level from twelve months earlier. While the financial performance of Texas credit unions remained satisfactory during 2024, there was some weakening of several key financial trends. Texas credit unions experienced a notable rise in loan delinquencies and losses, as well as an ongoing decline in earnings performance. Increased delinquencies are concentrated mostly in the unsecured/credit card, used auto, residential and the commercial loan segments, while the rise in loan losses consists primarily of used vehicle and unsecured loans/credit cards. While the financial performance outlook for Texas industry remains satisfactory, it will remain essential for credit unions to adapt to the ever-changing political events and economic trends to safeguard the financial interests of Texas credit unions and their four million members. Commissioner Riepen brought up the topic of BNPL (buy now pay later), where a lot of those loans are not reported on a credit report, so you may not really know the true debt to income ratio of a borrower. These are typically going to be unsecured loans and the impact may be to

result in higher loan losses and delinquencies. Mr. Bleazard commended Commissioner Riepen for recognizing the BNPL issues and suggested that it would be nice for the Department to send a letter to credit unions to alert them of this fact and consider BNPL loans in their loan decisions since it is not widely understood.

After a brief 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 2025 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 short discussion, Mr. Bleazard moved that the Commission approve the Department's Internal Risk Assessment Report for FY 2025 and authorize its submission to the State Auditor's Office. Mr. Shurtz seconded the motion, and the motion was unanimously adopted.

#### **I. PENDING LITIGATION –**

General Counsel Karen Miller reported to the Commission that the 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. A Motion for Summary Judgement was filed in February. We continue to work with the open records division to settle this issue.

General Counsel Karen Miller reported that an appeal from Cooperative Teachers Credit Union was filed and remanded to the Commissioner. The

Commission was sent a copy of our Order when we sent it out to the credit union. The credit union has since requested an appeal to the Commission. The rule that provides a timeline for that has been repealed and so we are trying to figure out the appropriate process for that. We can go into Executive Session and discuss this issue if this is what the Commission desires.

The Commission called for a recess of ten minutes.

DRAFT

Chair Minge officially announced that under the Texas Open Meetings Act, Texas Government Code, Section 551.074, the Commission will now enter Executive Session for private consultation with its attorney for purposes relating to pending or contemplated litigation or settlement offer and for consultation and advice of counsel for legal matters subject to attorney-client privilege. The Commission entered Executive Session at 10:37 a.m.

At 10:45 a.m., the Commission returned to open session and there were no motions to entertain.

**J. AGENDA ITEMS, ARRANGEMENTS, AND DATES.** Chair Minge inquired if anyone had any suggested agenda items for our July 18<sup>th</sup> meeting. No requests were received.

**ADJOURNMENT** – There being no further business for the Credit Union Commission, Chair Minge adjourned the meeting at 10:48 a.m.

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Jim Minge  
Chairman

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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 07-10-2025)
<b><u>March 21, 2025</u></b>		
7 TAC, Part 6, Chapter 97 Subchapter A (General Provisions) Subchapter B (Fees) Subchapter C (Department Operations) Subchapter D (Gifts and Bequests) Subchapter E (Advisory Committees) Subchapter F (Rulemaking)	Published in <i>Texas Register</i> as readopted rules	Published in <i>Texas Register</i> on 04/04/2025
7 TAC Part 6, Chapter 97 Subchapter B, Section 97.113 (Fees and Charges)	Published in <i>Texas Register</i> with a 31 day comment period	Published in <i>Texas Register</i> on 04/04/2025
7 TAC Part 6, Chapter 91 Subchapter A, Section 91.101 (Definitions and Interpretations)	Published in <i>Texas Register</i> with a 31 day comment period	Published in <i>Texas Register</i> on 04/04/2025

C.



## C. **AUDIT COMMITTEE REPORT**

**BACKGROUND:** The Audit Committee is a standing committee of the Commission.

### **COMMITTEE MEMBERS**

- ❖ Beckie Stockstill Cobb, Chair
- ❖ Cody Huggins
- ❖ David Bleazard
- ❖ Jim Minge, Ex-Officio

The Audit Committee met on July 17, 2025, in a public meeting. The Committee will report on its activities for consideration and possible vote by the Commission.

- C. (1) Discussion of the FY 2025 Internal Audit Report and Possible Vote that the Commission Accept the Report and Authorize its Submission to the State Auditor's Office
- (2) Discussion of and Possible Vote to Take Action on the FY 2026 Internal Audit Plan

**RECOMMENDED ACTION:** The Committee recommends that the Commission accept the Committee's report as presented.

## **AUDIT COMMITTEE REPORT**

- C. (1) Discussion of the FY 2025 Internal Audit Report and Possible Vote that the Commission Accept the Report and Authorize its Submission to the State Auditor's Office

# Texas Credit Union Department

IA #01-2025 Internal Audit

Over Information Technology Services Department's IT General  
Controls Processes

June 20, 2025



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

This report presents the results of the internal audit procedures performed for Texas Credit Union Department (CUD) during the period February 1, 2025, through June 9, 2025, relating to the Information Systems and Technology Department (ISTD) IT General Control (ITGC) processes.

The objectives of the internal audit were to evaluate the design and effectiveness of Texas Credit Union Department's ISTD processes as follows:

- A. Determine whether internal controls over Information Systems and Technology Department are designed to ensure that consistent processes are implemented and designed appropriately to address the risks within the associated sub-processes and to ensure effective operations.
- B. Ensure that controls over selected critical processes within Texas Credit Union Department Information Systems and Technology Department are operating efficiently and effectively.

To accomplish these objectives, we conducted interviews and walkthroughs with ITS personnel to gain an understanding of the current processes in place, examining existing documentation, and evaluating internal controls over the processes. We evaluated the existing policies, procedures, and processes in their current state. Our coverage period was from August 1, 2023, through April 14, 2025.

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

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Austin, Texas  
June 20, 2025

Weaver and Tidwell, L.L.P.

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# Texas Credit Union Department

## Internal Audit Report over IT Services Department's IT General Control Processes

June 20, 2025

### Background

The Information Systems and Technology Department (ISTD) at Texas Credit Union Department (CUD) provides information technology services and supports the CUD through a wide range of activities, including end user support services, applications support, security administration, managing vendor service providers, and database administration. The ISTD utilizes the Texas Department of Information Resources (DIR) to assist with activities such as system procurement, support, and vendor management. Additionally, the ISTD utilizes a third-party IT services provider, Vintage IT Services, to assist with server maintenance and network/computer support.

### Audit Objective and Scope

The scope of the internal audit included an evaluation of the CUD's ISTD to determine whether IT General Controls (ITGC) are in place to ensure that the IT processes are efficient and effective, mitigate risks related to safeguarding information, and manage data integrity of systems. We reviewed the CUD's policies and procedures in place to mitigate technology risks. The scope included an evaluation of the processes and procedures currently in place and are anticipated to remain in place in the future. Key functions and sub-processes reviewed included:

- User Administration
- Change Management
- Backup and Recovery
- Physical Access
- Vendor Management
  - Third Party Monitoring
  - Review of SOC Reports

The in-scope systems included:

- Active Directory
- CTERA
- ACT + Supporting Infrastructure (SQL Server and Windows Database)
- MERIT NCUA
- CAPPs (Financial and Human Resources modules)

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

#### User Administration

- Password parameters (e.g., password minimum length and complexity, expiration, account lockout) were configured to comply with industry standards.
- Administrative access to systems was authorized and appropriately restricted.
- New user accounts and changes in access were appropriately approved, and access was established as requested.
- Access reviews were performed to confirm access rights and detect inappropriate access to systems.

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# **Texas Credit Union Department**

## **Internal Audit Report over IT Services Department's IT General Control Processes**

**June 20, 2025**

- Terminated personnel's system access was removed or deactivated in a timely manner.
- Generic/service accounts had an appropriate business purpose and knowledge for the credentials was limited to appropriate personnel.

### Change Management

- Application and database changes were tested and approved prior to migration to production.
- Access to migrate application changes to production was limited to appropriate personnel.
- Developers do not have access to migrate changes to production.

### Backup and Recovery

- Database backups were scheduled.
- The outcome of backup operation was monitored and issues resolved.
- Physical access to the CUD on-site server room was restricted to authorized personnel.

### Monitoring Vendors

- Monitoring activities were performed to ensure actions performed by third party IT vendors were reviewed and approved for appropriateness.
- Applicable SOC reports were reviewed annually to ensure alignment with the CUD control environment.

Our procedures included interviewing key ISTD personnel with responsibilities in managing and/or monitoring the IT services, examining existing documentation, reviewing responses to questionnaires completed by Management, and evaluating the internal controls over the applications in scope. Our coverage period was from August 1, 2023, through April 14, 2025 for the purpose of testing activities where samples of populations were required, otherwise point-in-time testing occurred.

# Texas Credit Union Department

## Internal Audit Report over IT Services Department's IT General Control Processes

June 20, 2025

### Executive Summary

Through inquiry, the completion of questionnaires, and evaluation of internal control design and effectiveness, we identified nine findings. The list of findings includes those items that have been identified and are considered to be non-compliance issues with documented Texas Credit Union Department policies and procedures, rules and regulations required by law, or where there is a lack of procedures or internal controls in place to cover risks to the CUD. These issues could have significant financial or operational implications.

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		Unsatisfactory
Scope Area	Result	Rating
<b>Objective A:</b> Determine whether internal controls over Information Systems and Technology Department are designed to ensure that consistent processes are implemented and designed appropriately to address the risks within the associated sub-processes and to ensure effective operations.	<p>Out of 12 expected IT General Controls at Texas Credit Union Department, six controls were designed appropriately for all in-scope applications. For the remaining six controls, opportunities exist to strengthen the process and control environment for at least one in-scope application, including:</p> <ul style="list-style-type: none"><li>• Developing comprehensive IT policies over access provisioning, change management, and user access reviews</li><li>• Revoking terminated user access to in-scope applications in a timely manner</li><li>• Performing a periodic user access review for the Active Directory, ACT, and MS365 systems and applications</li><li>• Performing a periodic user access review for privileged access within the MERIT application</li><li>• Requesting, reviewing, approving, and implementing changes to the ACT database</li><li>• Monitoring backup job operations to detect failed backup jobs for ACT</li></ul>	Unsatisfactory

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# Texas Credit Union Department

## Internal Audit Report over IT Services Department's IT General Control Processes

June 20, 2025

Scope Area	Result	Rating
<b>Objective B:</b> Ensure that controls over selected critical processes within Texas Credit Union Department Information Systems and Technology Department are operating efficiently and effectively.	For five of 12 expected IT General Controls at Texas Credit Union Department, the processes implemented to perform the controls across all in-scope applications were not consistently executed as designed. Test procedures performed identified the following findings: <ul style="list-style-type: none"> <li>Configured password requirements in Active Directory did not meet the requirements of the Texas Department of Information Resources Security Control Standards Catalog over the enforcement of password complexity rules</li> <li>Documentation of access approval for new users to ACT and CAPPs was not consistently available</li> <li>A secondary user access review was not performed to validate a reviewer's own access</li> <li>Segregation of privileged access between the ACT production and development environments was not consistently implemented</li> <li>ACT backup job failures were not investigated or remediated</li> </ul>	<b>Unsatisfactory</b>

### Conclusion

Based on our evaluation, CUD had some procedures, practices, and controls in place to mitigate risks within the applications in scope. We identified opportunities to strengthen the processes through the development and implementation of formal policies and procedures, implementing new processes, and consistently executing controls throughout ISTD.

These improvements include:

- Developing comprehensive IT policies and procedures to standardize IT processes as provided policies did not include all control areas reviewed during the evaluation.
- Reviewing and approving all existing policies annually to ensure that policies are up to date and are reflective of current processes and requirements.
- Enabling complexity settings for Active Directory passwords to ensure difficult and hard to guess passwords.
- Removing inappropriate access to systems (including access for terminated personnel) to ensure only appropriate personnel have access. For terminations, a process should be put in place to ensure that IT personnel are notified timely of terminated individuals and for access provisioning a process should be put in place so that approvals are formally documented before access is granted., the CUD should define and implement formal periodic access reviews to ensure system access rights remain appropriate and current for in-scope applications and supporting database servers.

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## **Texas Credit Union Department**

### **Internal Audit Report over IT Services Department's IT General Control Processes**

**June 20, 2025**

- Investigating and identifying a comprehensive listing of MERIT NCUA users with access to the "Admin Portal" and ensure that access is limited to appropriate personnel in line with the principle of least privilege.
- Monitoring and revoking third-party access to systems when not in use.
- Segregating administrator access to development and production environments for ACT to ensure all changes are not forgoing appropriate oversight before implementation.

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

# Texas Credit Union Department

## Internal Audit Report over IT Services Department's IT General Control Processes

June 20, 2025

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

Our procedures included interviewing key ISTD personnel with responsibilities in managing and/or monitoring the IT services, examining existing documentation, reviewing responses to questionnaires completed by Management, and evaluating the internal controls over the process.

#### Objective A: Design of Internal Controls

Determine whether internal controls over Information Systems and Technology Department are designed to ensure that consistent processes are implemented and designed appropriately to address the risks within the associated sub-processes and to ensure effective operations.

**Procedures Performed:** We interviewed key ISTD personnel with responsibilities in managing and/or monitoring the IT services, examined existing documentation, reviewed responses to questionnaires completed by Management, and evaluated internal controls to gain an understanding of the current ISTD processes for security administration, change management, IT operations, and monitoring of third-party IT providers. We documented our understanding of the processes and whether controls over the following critical sub processes existed:

##### Security Administration

- Authentication and Passwords
- Privileged Access
- Access Provisioning/Revocation
- Access Reviews
- Non-Individual Accounts

##### Change Management

- Segregation of Duties (SOD)
- User Acceptance Testing (UAT)
- Change Approvals

##### IT Operations

- Backup and Recovery
- Physical Security

##### Vendor Management

- Third Party Monitoring
- SOC Report Review

**Results:** Internal Audit expected a total of 12 controls to be in place over the selected systems. Through our evaluation of the CUD control environment, Internal Audit identified a total of seven controls that were appropriately designed.

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# Texas Credit Union Department

## Internal Audit Report over IT Services Department's IT General Control Processes

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Process Area	Expected Controls Coverage	Actual Controls Cover Coverage	Findings Identified
<b>IT General Controls</b>			
Security Administration	6*	3	1, 2, 3, 4, 6, 7
Change Management	3*	1	4, 5, 8
IT Operations	3	2	4, 9
Vendor Management	1	1	
<b>Total</b>	<b>12</b>	<b>7</b>	<b>9</b>

\* includes one control applicable to two process areas

### All (Security, Change Management, IT Operations, Vendor Management):

#### **Finding 1 – High – Access Reviews**

The requirement for formal periodic access reviews was not defined in Texas Credit Union Department policies and procedures. Further, formal periodic reviews were not performed to ensure system access rights remain appropriate and current for the following in-scope applications MERIT NCUA, Microsoft 365 Government, Active Directory, ACT and their supporting servers, tools, and databases where applicable.

**Recommendation:** Management should perform, at a minimum, access reviews annually. Teams performing the review should have the necessary knowledge of access rights and should maintain appropriate documentation including all relevant approvals, system listings, and results of the review as well as evidence of the method used to generate the access listings used in the review. For access modifications identified during the reviews, a post-validation assessment should be documented to verify that access changes were addressed completely and timely. In addition, secondary reviews should be performed to evaluate the appropriateness of the reviewer's access for instances in which the reviewer maintains privileges to the environment.

**Management Response:** Management agrees that current policy or procedures specifically addressing access reviews does not detail the specific information and processes noted in the finding. We will conduct a review of applicable policies and propose amendments or new policies and procedures to ensure these periodic reviews are performed.

**Responsible Party:** Director of Information Technology

**Implementation Date:** July 2025

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# Texas Credit Union Department

## Internal Audit Report over IT Services Department's IT General Control Processes June 20, 2025

### **Finding 2 – High – Access Revocation**

Management was unable to provide a complete list of terminated employees from the HR system to Internal Audit. Consequently, Internal Audit was unable to perform comprehensive testing procedures to verify that terminated individuals no longer retain access to two key CUD systems. Without accurate and comprehensive termination data, the organization cannot effectively validate that access for former employees has been revoked in a timely manner, increasing the risk of unauthorized access to critical Credit Union Department (CUD) systems. This gap may lead to potential data exposure, misuse of system privileges, or noncompliance with regulatory requirements related to access management.

#### **Recommendation:**

Management should ensure that a complete and regularly updated listing of terminated employees is maintained and readily available from the HR system.

**Management Response:** The current HR system (CAPPS) is owned by the Texas Comptroller of Public Accounts. The system does not contain a report that can be generated ad hoc. Management will request a customized report for the Department that can be generated on demand through the Business Objects Core Application.

**Responsible Party:** Staff Services Officer

**Implementation Date:** July 2025

### **Finding 3 – High – Access Revocation**

To compensate for a lack of terminated employees listing, Internal Audit selected a sample of four users with an account that was disabled during the period of the audit from a population of users for ACT and CAPPS. Internal Audit requested the documentation that supported the accounts being disabled to ensure that access was removed timely from when the HR notifications were sent.

All four sampled terminations lacked adequate support for timely access removal; either documentation was missing, or access was not revoked in a timely manner. For two of the four, the provided email evidence indicated that access remained active for between 20 and 71 days after the employee's termination date. Management should implement controls to ensure that access for terminated employees is consistently removed in a timely manner. The details are as follows:

#### **CAPPS (FIN/HR) – 2 Users - Access Removal Dates:**

1. May 7, 2024 (No evidence provided)
2. January 24, 2025 (No evidence provided)

#### **ACT – 2 Users – Access Removal Dates:**

3. September 20, 2024 (term date was August 29, 2024, 20 days after termination)
4. July 11, 2024 (term date was April 30, 2024, 71 days after termination)

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## Internal Audit Report over IT Services Department's IT General Control Processes

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**Recommendation:** Upon termination, Management should ensure that an appropriate process is in place to notify IT teams of the departure. Based on the termination notification, teams should initiate and complete the access revocation process in a timely manner. User accounts that are included in the termination notification should be disabled/deleted based on access removal instructions. Management should ensure that access for the four terminated employees that retained access to CAPPs and ACT has been disabled throughout all in-scope systems and perform a look back analysis to ensure no inappropriate actions were performed.

**Management Response:** Management agrees. There is currently no consistent and repeatable process in place to notify the IT team of the departure of employees. Based on the termination notification, IT and HR teams will herein initiate and complete the access revocation process in a timely manner. User accounts that are included in the termination notification will be disabled/deleted. Management has verified that the four terminated employees in question have their accounts disabled. We have confirmed that no activity was performed by them after their separation from the agency.

**Responsible Party:** Director of Information Technology

**Implementation Date:** July 2025

### Finding 4 – High – IT Policy and Procedures

Management has not developed documented policies or procedures to formally govern critical IT control areas, including password management, user access provisioning and modifications, user terminations, and change management specific to the ACT system. While an incident response and disaster recovery policy has been established, the absence of documented policies for these additional areas increases the risk of inconsistent practices, unauthorized access, inappropriate system changes, and ineffective termination of user access.

Specifically, during our audit, we identified the following:

- Formal procedures outlining the steps for provisioning, deprovisioning, and periodically reviewing user access across the applications in scope and the network were not documented.
- For ACT, there was no documented change management policy detailing change approval requirements, segregation of duties (SOD) considerations, testing protocols, or logging and monitoring of changes.

Management provided policy 105 – Password Policy, and policy 705 – Administrative and Special Access on May 22, 2025, after the completion of fieldwork procedures. Internal Audit reviewed the policies to validate met generally accepted minimum standards for the policies, but Internal Audit was unable to perform procedures to validate whether the provisions of policies 105 and 705 were enforced across in-scope systems due to the delivery of the policies after the completion of fieldwork procedures.

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# Texas Credit Union Department

## Internal Audit Report over IT Services Department's IT General Control Processes

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### **Recommendation:**

Management should develop comprehensive and formalized policies and procedures addressing password requirements, user access provisioning/modifications, user terminations, and change management activities. Each policy should clearly define roles and responsibilities, required approvals, segregation of duties considerations, processes to be followed, and appropriate monitoring activities. Upon creation, Management should communicate these policies to relevant staff and implement routine monitoring to ensure compliance and adherence to established guidelines.

**Management Response:** Management agrees that comprehensive and formalized policies and procedures addressing user access provisioning/deprovisioning, user access reviews, and change management activities should and will be developed. Each policy will clearly define roles and responsibilities, required approvals, segregation of duties considerations, processes to be followed, and appropriate monitoring activities. Upon creation, Management will communicate these policies to all agency staff and implement routine monitoring to ensure compliance and adherence to the established policy and guidelines therein.

**Responsible Party:** Director of Information Technology

**Implementation Date:** June 2025

### **Finding 5 – High – Change Management Process**

A formalized change management process has not been established. Current practices do not require that system changes be documented, independently tested, or formally approved prior to implementation. As a result, key control activities necessary to ensure changes are appropriately authorized and executed in a controlled manner have not been designed.

### **Recommendation:**

Management should design and implement a formal change management process that includes requirements for documenting all system changes, conducting independent testing, and obtaining documented approvals prior to deployment into the production environment. The process should also incorporate controls to ensure proper segregation of duties, with different individuals responsible for development, testing, and approval of changes.

**Management Response:** Management agrees that while the Department has change management guidelines, a formalized policy nor a procedure have been implemented. The Department will design and implement a formal change management process that includes requirements for documenting all system changes, conducting independent testing, and obtaining documented approvals prior to deployment into the production environment. The process should also incorporate controls to ensure proper segregation of duties, with different individuals responsible for development, testing, and approval of changes.

**Responsible Party:** Director of Information Technology

**Implementation Date:** July 2025

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# Texas Credit Union Department

## Internal Audit Report over IT Services Department's IT General Control Processes

June 20, 2025

### Objective B: Effectiveness of Internal Controls

Ensure that controls over selected critical processes within Texas Credit Union Department Information Systems and Technology Department are operating efficiently and effectively.

#### Security Administration

##### 1. Administrative/Elevated Access

**Procedures Performed:** We obtained and reviewed a listing of accounts with administrator/elevated access to selected applications to verify that access was appropriate based on the individual's job title and inquiries with Management. Inquired that access to the non-individual accounts were appropriate based on business justification and access to the account.

**Results:** Management could not identify the roles in MERIT NCUA that allow users to perform administrative functions. Additionally, access to generic IDs with elevated access by vendor service providers was not appropriately monitored, nor was access disabled when not in use.

##### **Finding 6 – High – Administrative/Elevated Access**

Management was not able to identify a list of individuals with administrative access in MERIT NCUA. As such, Internal Audit was not able to conclude on the appropriateness of administrative access. It is critical that Management identify the roles and permissions that allow users to access the "admin portal" in MERIT.

**Recommendation:** Management should ensure that all elevated and administrative roles be identified by key system stakeholders to ensure access is limited to appropriate personnel.

**Management Response:** Management agrees. We were not aware that we do have the ability to access NCUA's OKTA Portal at the time the request was made. We have since learned that we do have access to the OKTA Admin Portal and could review the users, their roles and applications they had access to. A new policy and/or procedures will be drafted relative to use of the MERIT system with the Examination group.

**Responsible Party:** Network Specialist, and Director of Examinations

**Implementation Date:** July 2025

##### 2. New/Modified User (Access Provisioning)

**Procedures Performed:** We selected a sample of eight new and modified users during the audit period for ACT, MERIT NCUA, and CAPPS (FIN/HR) and CTERA. For each of the samples selected, we reviewed documentation to verify that requests were created and approved by Management (as needed). We also verified that for new and modified user-access, the access granted was commensurate with the request. No new access was identified for Active Directory (admins) or Microsoft 365 Government, and as such no effectiveness testing could be performed.

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# Texas Credit Union Department

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**Results:** Security administration was not sufficiently controlled through consistent and complete documentation of access to be requested and approvals.

### **Finding 7 – Moderate – Access Provisioning**

Six of the nine samples for ACT MERIT NCUA, and CAPPS (FIN/HR) access provisioning were either not provided, not signed off on, did not match the access requested, or did not agree with the date access was granted. Management should ensure that all access requests are documented, roles and permissions requested are specified and approved by appropriate authority, and access is provisioned as requested only after being approved. The details are as follows:

#### **CAPPS (FIN/HR):**

1. User hire date: April 25, 2024. The documentation provided was from 2020 with an approval signature from 2022. Additionally, the access requested did not match the access in the system.

#### **ACT:**

2. Administrator User created July 11, 2024. The IT ticket was completed on August 27, 2024, 36 days after the access was provisioned. Additionally, the access request form provided was not approved.
3. Standard User created June 6, 2024. The IT ticket did not specify the type of access requested to the ACT System.

#### **MERIT NCUA:**

4. User access granted September 1, 2024. Access request form was not approved.
5. User access granted November 7, 2023. Access request form was not approved.
6. User access granted June 1, 2024. Access request form was not approved, and the form did not request MERIT access.

**Recommendation:** Management must ensure that all new and modified access requests are documented and include: formal approval of access by the requestor's supervisor, specific requests for the access roles in the system, and the date and time of both when the request was made and when access was provisioned.

**Management Response:** Management agrees that there have been inconsistencies in the process in place (IT-1). Policy 705 and Procedure 138 relating to the process of access and new and terminated users will be reviewed and revised to implement these recommendations. The policy and process will be communicated, and staff will receive training. Management agrees that the system access process needs to include (IT-1 form has already been updated to include the approving manager's signature) the requestor's supervisor, the access roles being requested in the system, and the date and time of both when the request was made and when access was provisioned. The IT form will be modified to include a section where IT staff documents removal of or adjustment of the user in the system.

**Responsible Party:** Director of Information Technology

**Implementation Date:** July 2025

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# Texas Credit Union Department

## Internal Audit Report over IT Services Department's IT General Control Processes June 20, 2025

### 3. Access Reviews

**Procedures Performed:** Evaluated the periodic access review process for selected applications to determine if users were reviewed for appropriateness and business need, as well as if unnecessary access was identified for modification.

**Results:** We determined that access reviews were not performed for the period under review.

#### Finding 1 – High – Access Reviews

### 4. Terminations (Access Revocation)

**Procedures Performed:** Management was not able to provide Internal Audit with a list of terminated employees from CAPPs HR. As such, traditional populations and samples could not be developed and selected. The user access reports provided for ACT And CAPPs had an account disable date that allowed a limited set of four samples to be selected. Internal Audit requested the documentation that supported the accounts being disabled to ensure that access was removed timely from when the HR notifications were sent.

**Results:** All four of the four sampled terminations lacked adequate support for timely access removal—either documentation was missing, or access was not revoked in a timely manner. In two of the four cases, the provided email evidence indicated that access remained active for between 20 and 71 days after the employee's termination date.

#### Finding 2 – High – Access Revocation

#### Finding 3 – High – Access Revocation

### Change Management

### 5. Change Testing, Approvals, and Emergency Changes

**Procedures Performed:** No formalized change Management process was in place at the time of testing. As such no substantive procedures were performed.

**Results:** N/A – Design Failure

#### Finding 5 – High – Change Management

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# Texas Credit Union Department

## Internal Audit Report over IT Services Department's IT General Control Processes

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### 6. Segregation of Duties

**Procedures Performed:** Obtained and inspected a listing of users with access to the production and development environments for ACT to verify that no segregation of duties conflicts exist.

**Results:** Segregation of Duties conflicts existed within the ACT development and production environment.

#### **Finding 8 – High – Segregation of Duties**

Four of five accounts granted the 'Act! Database Administrator' role in the ACT database server had access to both the ACT development and production environments.

**Recommendation:** Management should enforce appropriate segregation of duties between development and production environments. Specifically, individuals with development responsibilities should not have direct access to deploy changes to production. Access to production should be restricted to personnel responsible for deployment or operations, with all changes subject to formal change management processes, including review and approval. Management should review current access rights, revoke inappropriate dual access, and implement technical controls to enforce role separation.

**Management Response:** The database has multiple administrators at this time to enable development and conversion of old data. In addition, the administrator role was necessary for office reporting and maintaining the database. We had inadequate staff and were in the process of hiring a database administrator which occurred March of this year. As he becomes more familiar with roles, we may be able to limit users to a manager role. Use of the administrator role was necessary to successfully implement the conversion. Future changes in permissions on this database will be guided by change management policies which will be revised considering these audit findings.

**Responsible Party:** Director of Information Technology, and Database Administrator

**Implementation Date:** July 2025

### IT Operations

### 7. Backup Configurations and Monitoring

**Procedures Performed:** We obtained and evaluated configuration settings for selected databases to determine if backups were configured to ensure data was appropriately backed up. Additionally, reviewed backup logs to determine if backup jobs completed according to schedule and that there were not multiple successive failures.

**Results:** There were a significant number of consecutive failures identified for the configured backup jobs supporting ACT Production. Furthermore, there were no alerts enabled.

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# Texas Credit Union Department

## Internal Audit Report over IT Services Department's IT General Control Processes June 20, 2025

### **Finding 9 – High – Back Up and Recovery**

Through inspection of the ACT database backup audit log provided by Management, Internal Audit identified that backup procedures were not operating effectively resulting in numerous consecutive backup failures over the audit period. Specifically, the following deficiencies were identified:

- From November 11, 2024, through February 4, 2025, backups for the ACT production database failed consistently, resulting in 62 consecutive days without a successful backup.
- From February 12, 2025, through February 14, 2025, an additional 9 consecutive backup failures occurred.
- Over the past 18 months, there have been a total of 274 individual backup failures.

Backup failure notifications were not enabled, preventing timely identification and remediation of backup issues. These conditions significantly increase the risk of data loss and disruption to business operations.

**Recommendation:** Management should implement and enable proactive backup failure notification procedures for ACT production databases. Additionally, Management must establish a formal process to promptly review backup notifications, investigate backup failures immediately upon occurrence, and resolve all issues to ensure backups are consistently performed and data integrity is maintained.

**Management Response:** Management agrees with this finding. We have discovered that the backup failed because it was being done under a specific user's ID that had been removed as an administrator of the production environment because we were trying to limit the staff with administrative access. On May 21, 2025 the Database Administrator corrected the administrative rights and reset the automated backups. He also configured daily email notifications to verify that the backups complete successfully on a daily basis.

**Responsible Party:** Director of Information Technology, and Database Administrator

**Implementation Date:** July 2025

## **8. Physical Security**

**Procedures Performed:** Inquired with Management regarding physical security to the on-premises server room at the CUD. Since the process in place is manual and no evidence could be provided, not additional testing was performed.

**Results:** The on-premises server room at the CUD is locked and can only be accessed using a key that the Director of Information Systems and Technology and the Network Specialist alone have access to. Access to the server room is limited to essential IT personnel, anyone that requires access to the server room must be escorted by the Director of Information Systems and Technology or the Network Specialist.

# Texas Credit Union Department

## Internal Audit Report over IT Services Department's IT General Control Processes June 20, 2025

### 9. Vendor Management

**Procedures Performed:** Inquired with Management regarding procedures in place to ensure vendor performance is monitored and oversight performed.

**Results:** ACT, CAPPs, CTERA, and MERIT are managed, operated, and/or procured through another Texas State government agency that is responsible for vendor management. Active Directory and the SQL Database Servers and Windows Servers supporting ACT are managed by ISTD with the support of a vendor operating under the direct and ongoing supervision of ISTD personnel.

# Appendix

# Texas Credit Union Department

## Internal Audit Report over IT Services Department's IT General Control Processes

June 20, 2025

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 the 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.

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# Texas Credit Union Department

## Internal Audit Report over IT Services Department's IT General Control Processes June 20, 2025

### 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 the CUD's achievement of strategic objectives or continued existence
- Impact of the finding could be felt outside of the CUD or beyond a single function or department
- Potential material impact to operations or the CUD's finances
- Remediation requires significant involvement from senior 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 the CUD
- Impact could be felt outside of the CUD or across more than one function of the CUD
- Noticeable and possibly material impact to the operations or finances of the 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 the CUD
- Minimal financial or operational impact to the organization
- Require functional leader(s) to be kept updated, or have other controls that help to mitigate the related risk

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## **AUDIT COMMITTEE REPORT**

- C. (2) Discussion of and Possible Vote to Take Action on the FY 2026 Internal Audit Plan

**July 2025 Commissioner's Meeting  
Internal Audit Status Report  
As July 3, 2025**

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 completed the audit plan for fiscal year 2025.

***Fiscal Year 2025 Internal Audit Plan***

The FY 2025 Internal Audit Plan includes an internal audit and an annual internal audit report. The table below includes the status and progress of each portion of the plan.

<b>2025 Internal Audits</b>		
<b>Internal Audit</b>	<b>Description</b>	<b>Status</b>
Internal Audit over IT General Controls	The IT General Controls internal audit was completed on June 20, 2025. We will perform follow-up procedures over findings identified in the current year's audit in the fiscal year 2026 audit plan.	Completed
<b>2025 Annual Audit Report</b>		
Annual Audit Report	<p>Internal Audit will prepare the annual internal audit report in compliance with the Texas Internal Audit act.</p> <p>Guidance for the report is issued by the State Auditor's Office in early August of each year. It is due to the State Auditor's Office, the Legislative Budget Board and the Governor's Office by November 1, 2025.</p> <p>Included with this report is the proposed internal audit plan for fiscal year 2026. This plan is consistent with the risk assessment and 3-year plan we have previously presented.</p>	August 2025



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

**Credit Union Department  
Proposed FY 2026 Internal Audit Plan  
As of July 2025**

Audit Area	Risk Rating	Summary Procedures
<b>2026 Planned New Internal Audits</b>		
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.
<b>2026 Planned Internal Audit Follow-up</b>		
IT General Controls	High	Internal Audit will perform follow-up procedures on 2025 Internal Audit findings to ensure corrective action has been taken.
<b>2026 Planned Annual Requirements</b>		
Project Management	NA	Track overall internal audit procedures, coordinate audit activities, and reporting to management.
Update Risk Assessment	NA	Perform required annual update of risk assessment.
Annual Board Reports	NA	Prepare and submit required Annual Internal Audit Report and reports to the Audit Committee of internal audit activities.

Texas Credit Union Department  
Proposed Internal Audit Plan  
August 2023

Audit Area	Risk Rating	Summary Procedures	Audit Focus	Estimated Hours
<b>2024 Planned New Internal Audits</b>				
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
<b>2024 Planned Annual Requirements</b>				
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
<b>Total 2024 Internal Audit Estimated Hours</b>				<b>300</b>

Audit Area	Risk Rating	Summary Procedures	Audit Focus	Estimated Hours
<b>2025 Planned New Internal Audits</b>				
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
<b>2025 Planned Internal Audit Follow-up</b>				
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
<b>2025 Planned Annual Requirements</b>				
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
<b>Total 2025 Internal Audit Estimated Hours</b>				<b>300</b>



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.**

## **D. COMMISSIONER EVALUATION COMMITTEE REPORT**

**BACKGROUND:** The Commissioner Evaluation Committee is a standing committee of the Commission. Given the planned retirement of the Commissioner, the Commissioner Evaluation Committee (the “Committee”) assumes responsibility for the process associated with choosing the next Commissioner. The Committee also serves as the Commission’s search committee for the purpose of carrying out the Commissioner succession plan.

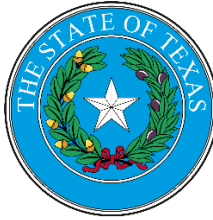
### **COMMITTEE MEMBERS**

- ❖ Karyn Brownlee, Chair
- ❖ David Shurtz
- ❖ Kay Rankin Swan
- ❖ Jim Minge, Ex-Officio

The Commissioner Evaluation Committee met on July 17, 2025, in a public meeting to continue implementation of the CUD hiring plan and selection process for the Credit Union Department Commissioner. The Committee will report on its progress and may enter into Executive Session.

**RECOMMENDED ACTION:** The Committee recommends that the Commission accept the Committee’s report and/or recommendations as presented.





# CUD Hiring Plan & Selection Process for Credit Union Department Commissioner

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**GOAL:** To hire the most qualified candidate based on objective and measurable criteria in a transparent process.

## 1. Define the Role and Requirements:

- **Job Description:** Develop a clear and concise job description outlining the Commissioner's responsibilities, required qualifications, and key competencies.
- **Selection Criteria:** Establish objective and measurable criteria for evaluating candidates, ensuring equal treatment in the selection process.
- **Timeline:** Set a clear timeline for each stage of the selection process, from posting the position to announcing the selection.

## 2. Recruitment and Application:

- **Public Announcement:** Make a public announcement of the Commissioner position vacancy, specifying the application requirements and timeline.
  - Posting in at least 3 places - CUD Website, CU Today, and NASCUS.
  - Determine whether the use of a professional recruitment services firm(s) is warranted.
- **Application Form:** Provide a user-friendly application form with all necessary fields and instructions.
- **Open Application Period:** Maintain an open application period for a reasonable duration to allow diverse candidates to apply.
- **Online Application:** Facilitate online application to reach a wider audience and improve efficiency.

## 3. Screening and Shortlisting:

- **Screening:** The Commissioner Evaluation Committee will review the applications, ensuring a consistent approach to filtering candidates based on the established objective and measurable criteria.
- **Shortlist:** Develop a short list of qualified candidates for further evaluation.

#### 4. **Evaluation and Interview:**

- **Evaluation:** The Commissioner Evaluation Committee will conduct evaluations of candidates taking into consideration the established objective and measurable criteria.
- **Interview Process:** The Committee will conduct interviews using standardized questions based on established objective and measurable criteria.
- **Background Check:** The Committee will ensure background checks are conducted on shortlisted candidates to ensure requirements for the position have been met.

#### 5. **Selection and Announcement:**

- **Recommendation - Commissioner Evaluation Committee:** The Committee will make a recommendation to the Commission.
- **Decision:** The Commission will make any Commissioner selection.
- **Offer Letter:** The Commission will send the applicant a formal offer letter to be signed and returned.
- **Public Announcement:** The Commission will ask the Department to make a public announcement of the selected Commissioner, observing any legal and regulatory procedures.

#### 6. **Onboarding:**

- **Welcome Letter:** The Commission will ensure staff sends a welcome letter to the newly selected Commissioner and include job responsibilities and onboarding requirements.
- **Training:** The Department will provide the required training and orientation to ensure the Commissioner is well prepared for his or her role.

#### 7. **Key Considerations:**

- **Transparency:** Maintain transparency throughout the selection process to ensure public confidence and trust.
- **Efficiency:** Optimize the process to minimize delays and ensure timely selection and onboarding.
- **Accessibility:** Make the application process accessible to all applicants, including individuals with disabilities.

**E.**

**E. DISCUSSION, CONSIDERATION AND POSSIBLE  
VOTE ON RECOMMENDED CHANGES TO THE  
COMMISSION’S POLICY MANUAL RELATED TO  
THE BUDGET AND RESERVES POLICIES**

**BACKGROUND:** A recent review of the Commission Policy Manual disclosed that fiscal year budget revenue does not include fees and charges allowable under 7 TAC Section 97.113 through 7 TAC Section 97.116, as well as interest earned on the deposit bearing account at the Texas Treasury Safekeeping Trust Company. For greater operating flexibility a few changes relating to budget variances and budget monitoring are proposed, as well as a few changes and clarifications regarding the usage and amount of the Reserve Fund.

**RECOMMENDED ACTION:** Staff recommends that the Commission approve the proposed changes to the Budget and Reserve Policy sections of the Commission Policy Manual.

**RECOMMENDED MOTION:** I move that the Commission approves the proposed changes to the Commission Policy Manual.



# **Texas Credit Union Commission**

## **Policy Manual**

Revised: August 11, 2023

## **ADOPTIONS**

**These policies were reviewed and adopted by the Credit Union Commission at a regular meeting on July 12, 1991.**

Section IX. T was revised on September 11, 1992. Section IX. U was added on March 5, 1993.

Section IX. T was revised on February 14, 1994. Section IX. V was added on August 5, 1994.

**On February 13, 1995, the following revisions and addition were adopted by the Credit Union Commission:**

Section II E 3 and II E 4 were revised; Section III F and III J were revised; Section IX G, IX T 2, and IX U were revised; and, Section IX W was added.

**On July 12, 1996, the following addition and revision were adopted:**

The Decision Matrix was added in an Appendix; Section VI was revised to reflect the change in maximum actual reimbursable expenses to conform to H.B. 1, Sec. 4.1.

**On October 7, 1996, the following revisions and additions were adopted by the Credit Union Commission:**

Section II D was revised; Section II E 9 was revised; Section IV I was added; Section VI was revised; Section VIII F was revised; and Section XIII D was repealed.

**On October 10, 1997, the following revisions and addition were adopted by the Credit Union Commission:**

Section II B was revised; a new Section VIII was added; the former Sections VIII through XIV were renumbered; and Appendix B was added.

**On January 16, 1998, the following additions and revisions were adopted by the Credit Union Commission:**

Section II E was revised to add new Paragraphs 4, 5, and 12, and former Paragraphs 4 through 9 were renumbered.

**On January 15, 1999, the following additions and revisions were adopted by the Credit**

**Union Commission:**

Section VI (A) & (D) pertaining to Commission travel were updated to reflect statutory changes enacted by the 75th Legislature.

Section VII pertaining to acceptance of gifts of money was deleted and a new Section VII was adopted for recognition awards.

Section X (S) was deleted and the remaining paragraphs were renumbered. New Section X (S) relating to Commissioner Evaluation was modified to make the evaluation date coincide with the fiscal year-end.

New Section X (V) was modified to delete reference to a Department policy on the orderly hearing of conservation order appeals.

Various formatting, grammatical and spelling errors were corrected.

**On January 21, 2000, the following revisions were adopted by the Credit Union Commission:**

Section I; Section II C, D, E 2, E 9 & E 11; Section III B, C, D & J; Section IV I; Section VI A, B & D; Section VII B; Section IX B; Section X A, B, F, G, S 1, S 5 & U, and; Section XIII.

**On April 21, 2000, the following revision was adopted by the Credit Union Commission:**

Section II. E. 11 was changed to delete distribution of minutes to the Attorney General's Office.

**On January 19, 2001, the following revision was adopted by the Credit Union Commission:**

Section III K was added to establish principles for the promulgation and review of rules.

**On November 15, 2002, the following revision was adopted by the Credit Union Commission:**

Section II F was added to officially delegate the authority to make decisions regarding motions for oral argument to the Chairman.

**On March 21, 2003, the following revision was adopted by the Credit Union Commission:**

Section II E (4) was modified to clarify public input for non-agenda items.

**On February 17, 2006, the following revisions were adopted by the Credit Union Commission:**

Section X. S. (5) was modified to change the completion date of the evaluation process.

Section XII, which dealt with Surety Bonds, was deleted and a new Section XII was added regarding Strategic Goals.

Section XIV was changed to strengthen the expectations related to Ethical Standards.

**On February 14, 2007, the following revisions were adopted by the Credit Union Commission:**

Section X regarding Commissioner Role is now Section XI and a new Section X was added regarding Commissioner Evaluation Committee.

Section XI regarding Approval of Documents is now Section XII.

Section XII regarding Strategic Goals is now Section XIII. Section

XIII regarding Legal Counsel is now Section XIV. Section XIV

regarding Ethical Standards is now Section XV. Commissioner

Succession Plan was added as Appendix C.

**On February 11, 2009, the following revisions were adopted by the Credit Union Commission:**

Section VII. D was added to provide for Commission resolutions honoring credit unions for certain milestone dates.

Section IX was modified to revise the structure of Advisory Committees to conform to the Government Code.

**On June 19, 2009, the following revision was adopted by the Credit Union Commission:**

Section X was modified to add new Standing Committee.



**On October 16, 2009, the following revisions were adopted by the Credit Union Commission:**

Section II (13) was added to establish Attendance Expectations consistent with statutory changes enacted by the 81st Legislature.

Section XVI was added regarding Use of Technology to reflect statutory changes enacted by the 81st Legislature.

Section XVI was added regarding Negotiated Rulemaking and Alternative Dispute Resolution to reflect statutory changes enacted by the 81st Legislature.

**On February 19, 2010, the following revisions/additions were adopted by the Credit Union Commission:**

Section II, D was modified to remove references to non-commission committee appointees.

Section II, E, 8, e–m, were modified to adjust the order of business to include consideration of request for excused absences.

Section II, E, 11 was modified to reflect that minutes are on file in the Department's offices.

Section IV, A, 1–2 were modified to reflect SDSI status.

Section VIII was modified to reflect training requirements as required by Sunset Legislation.

Section X, A, 4 was modified to reflect time frame of Commissioner Evaluation.

Section X, B, 1 was modified to clarify the Commission Chair appoints committee members.

Section XI, J was modified to reflect SDSI status. Section

XII was modified to reflect SDSI status.

Section XV, F was modified to add a prohibition against an examiner becoming indebted to a credit union.

Section XVIII was added establishing a Contingency Fund Reserve Policy.

Appendix A, Decision Matrix, was modified to reflect SDSI status.

Appendix B, New Commission Member Training Program was updated to reflect statutory changes.

**On February 18, 2011, the following revisions were adopted by the Credit Union Commission:**

Section VI, E was modified to reflect SDSI status Section IX, E was modified to reflect SDSI status. Section XII was modified to reflect SDSI status.

**On February 17, 2012, the following revisions were adopted by the Credit Union Commission:**

Section XVIII regarding Reserve Policy is now Section XIX and a new Section XVIII was added regarding Budget Policy.

**On November 2, 2012, the following revisions were adopted by the Credit Union Commission:**

Section XIX, B was modified to prescribe the maximum limit for the Contingency Fund Reserve and its six sub-accounts.

Section XIX, D was modified to ensure that excess funds in the Contingency Fund Reserve are used during the next fiscal year to reduce operating fees.

**On February 15, 2013, the following revision was adopted by the Credit Union Commission:**

Section II, E, 2 was modified to remove language inconsistent with notification requirements of the Open Meetings Act.

**On February 21, 2014, the following revisions were adopted by the Credit Union Commission:**

Section II B was modified to convert the vice chair from an elected position to a designation made by the Commission Chair;

Section II E 8 & 13 were revised to reflect minor edits and formatting; Section III I was deleted, and the remaining paragraphs renumbered; Section IV F was revised to reflect minor edits and formatting;

Section VI B was modified to reflect the change in guidelines for reimbursement of meals and lodging from the General Appropriations Act to the locality-based rates approved by

the Comptroller's Office;

Section XI A was revised to reflect minor edits and formatting;

Section XV F was modified to integrate the General Counsel position into the specific restrictions that deal with lending transactions and deposit relationships with credit unions;

Section XVI was revised to reflect minor edits and formatting;

Section XVIII G was modified to clarify that full-time equivalent or FTE is not the same as authorized positions and instituting a new cap on employment levels;

Section XVIII H was modified to remove examination fees paid by residential mortgage loan originators employed by a CUSO from revenue;

Section XVIII J was revised to reflect minor edits and formatting; Section XIX C was revised to reflect minor edits and formatting;

Appendix B, New Commission Member Training Program was revised to reflect SDSI status;

Appendix C, Commissioner Succession Plan was modified to switch the required review of the Plan from an annual event to one that is performed periodically;

**On March 4, 2016, the following revisions were adopted by the Credit Union Commission:**

Section XV I was added to reflect a new requirement related to annual disclosure and prohibition of certain contracts;

Section XVIII D was modified to clarify the date the Commission approves budget assumptions;

Section XVIII M was added to provide authority for obligated funds to be automatically carried over from one fiscal year to the next until the legal obligation is satisfied.

Section XX was added to establish a Second Amendment weapons policy.

**On July 8, 2016, the following revision was adopted by the Credit Union Commission:**

Section XX was modified to clarify that the Credit Union Department will not impose any restrictions on the carrying of firearms or other weapons beyond that mandated by

the Texas Legislature.

**On March 10, 2017, the following revision was adopted by the Credit Union Commission:**

Section XV was modified to allow an exception to the prohibition on indebtedness to a Credit Union for certain employees if the indebtedness was permissible when incurred and became prohibited as result of employment by the Department or circumstances over which the employee has no control. The revision also expands the criteria for restricting an employee from examining a Credit Union to include past employment, pension interest, and relatives working in the institution.

**On March 9, 2018, the following revisions was adopted by the Credit Union Commission:**

A new subsection D was added under Section VII, Recognition Awards to provide discretionary authority to the Commission to recognize exemplary achievement.

A new subsection J was added under Section XV, Ethical Standards to address political activity/lobbying by Commission members in their capacity as private citizens.

A new section XVII was added, Information Technology to address the need for the department to create and maintain an internal information security infrastructure.

A new Appendix D was added, Enterprise Risk Appetite Statement.

**On November 6, 2020, the following revisions were adopted by the Credit Union Commission:**

Amendments to Section XX Subsection B sub 1, 2, 4 and 6 to reflect approved increases to the sub-accounts of the Contingency Fund Reserve.

Section VII Subsection D was deleted to remove the requirements to commemorate credit union economic involvement in the state pursuant to Sunset Review recommendations.

**On June 4, 2021, the following revisions were adopted by the Credit Union Commission:**

Amendments to Section X subsection C to create a standing Audit Committee and Section VIII and Appendix B relating to the implementation of a training manual for commission members and annual acknowledgement. These changes were required as a result of the passage of SB 707 relating to the Credit Union Department's sunset review.

**On March 11, 2022, the following revisions were adopted by the Credit Union Commission:**

Section XIV was amended to reflect the hiring of an internal General Counsel.

Section XXI was amended to reflect changes necessary due to HB 1927 effective September 1, 2021, allowing qualified individuals 21 years or older to carry open or concealed handguns without obtaining a license to open carry. The Section was renamed Weapons policy.

**On November 4, 2022, the following revisions were adopted by the Credit Union Commission:**

The Department's most recent Sunset Review recommended that the Commission review the Reserve Policy to make necessary changes; thus, section XX was amended.

**On August 11, 2023, the following revisions were adopted by the Credit Union Commission:**

Section II, F, 1 - the last sentence of the paragraph was deleted due to the development of Commission meeting agendas is addressed in Section II, F, 8.

Section II, F, 8 – Commission Member(s) is inconsistently capitalized. Commission Member(s) is now uniformly capitalized.

Section IV, E – the sentence ending with “programs and policies” was changed to be parallel with item D before it.

# CREDIT UNION COMMISSION

## POLICIES MANUAL

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## **I. INTRODUCTION**

It is the purpose of the Commission Policies Manual to provide a codification of Commission policies established directly or indirectly through the recorded actions of the Commission. In accordance with Section 15.4023 of the Texas Finance Code, the Commission is responsible for developing and implementing policies that clearly separate the policy-making responsibilities of the Commission and the management responsibilities of the Commissioner and the staff of the Department.

As new policies are enacted or present policies revised or rescinded by the Commission, such additions or changes will be issued by the Commissioner and, inserted in the Commission Policies Manual in the proper place according to subject. It is essential that in order for such a document as this to be effective and useful, it be kept current. The format and system is organized accordingly.

The manual is structured for use by the Commission as a ready reference to existing policies and to aid in determining areas where policies are lacking or where policies need review and possible revision. It is also designed to provide administrative staff with full knowledge of all Commission policies that have been established.

## **II. RULES OF THE COMMISSION**

A. **Official Name of the Board.** The Commission adopted as the official name: Credit Union Commission.

B. **Chair.** The Chair of the Commission is appointed by the Governor.

C. **Vice-Chair.** At the first meeting of each calendar year, the Commission shall elect, by a majority vote, from the Commission members a vice-chair. The vice-chair shall serve for a period of one year but may serve multiple one-year terms.

### **D. Duties of Officers**

**Chair.** The Chair shall preside at all meetings and perform all other duties prescribed by law or by the Commission.

**Vice-Chair.** The vice-chair performs the duties of the presiding officer in the event of an absence or disability.

**Recording Secretary.** A Recording Secretary shall be appointed at the beginning of each meeting and shall perform all duties as the Commission may request.

**Executive Director.** The Department's Executive Director shall be known as



the “Commissioner,” and shall report to the Commission as a unified body. The Commissioner shall perform all duties as required by law and shall be the administrative officer to the Commission.

- E. **Committees.** The Commission shall maintain four Standing Committees: Evaluation, Rules, Audit, and Policy Manual. (See Section X.) The Commission may also have Advisory Committees as needed. (See Section IX.) Further, the Commission Chair may appoint Ad Hoc Committees comprised of Commission members or individuals who are not members of the Commission, for evaluating industry methods or problems and presenting formal recommendations to the Commission. Upon establishing such an Ad Hoc committee, the Chair shall present to the Commission the list of members assigned to the committee before work is undertaken, except in an emergency circumstance. The Commission Chair shall serve as an ex-officio, non-voting member on each ad hoc committee.
- F. **Board Meetings**
1. **Regular Meetings.** Per the Texas Finance Code, the Commission shall hold at least two regular meetings each year. Regular meetings shall be held at such designated place, date, and time as may be determined by the Chair. A majority of the members of the Commission shall constitute a quorum.
  2. **Special Meetings.** Special meetings may be called by the Chair, the Commissioner or any five members of the Commission at such times, dates, and places as become necessary for the transaction of Department business. Any Special meeting requests by a Commission Member will be sent to the Commissioner, and the purpose or subject will be communicated by the Commissioner to all Commission Members. Any special meeting agenda will be provided to the Commission prior to posting. Notice of all special meetings shall be posted in compliance with applicable provisions of the Texas Open Meetings Act.
  3. **Matters of Policy and Interpretation of Policy.** The Commission reserves unto itself the responsibility of prescribing and interpreting matters of Commission policy. It also reserves unto itself the method and manner of communicating official positions of the Commission to Department staff and/or to the public. Accordingly, Commission Members shall not seek outside interpretation of Commission policy from anyone outside the Department nor communicate official positions of the Commission unless instructed or authorized to so by an action of the Commission.
  4. **All Board Meetings Open to Public.** Commission meetings, regular and special, shall be open to the general public except as provided by the Texas Open Meetings Act ([Chapter 551 of the Government Code](#)).

5. **Public Input for Non-Agenda Items.** At the beginning of each meeting, the Chair will provide an opportunity for the public to comment on matters that are not scheduled items on the agenda. Persons wishing to comment must state their name and who they represent for the record. Unless authorized by a majority vote of the meeting quorum, the comments of those persons will be limited to no more than five (5) minutes.
6. **Public Input for Agenda Items.** For each item on the agenda, the Chair will provide an opportunity for the public to comment. Persons wishing to comment on an agenda item must state their name and who they represent for the record. If multiple persons from an organization or affiliated group are present, one representative should be designated to speak on behalf of that organization or group. Unless authorized by a majority vote of the meeting quorum, the comments of those persons will be limited to no more than ten (10) minutes.
7. **Transaction of Business.** The Commission may transact official business only when in session and shall not be bound in any way by any statement or action on the part of any individual member except when such statement or action is in pursuance of specific instructions of the Commission. No order or decree shall be adopted by the Commission except in open meeting and in accordance with the Texas Open Meetings Act ([Chapter 551 of the Government Code](#)).

8. **Agenda Items.** The Chair, Vice-Chair, and the Commissioner shall work in cooperation with one another to prepare meeting agendas. At each meeting, Commission Members shall be provided an opportunity to request agenda items they want to hear at the next meeting. All items suggested by Commission Members in an official meeting shall be considered. Additionally, a Commission Member may request an agenda item for consideration after a meeting. To do so, the Commission Member should send a request to the Commissioner at least 20 business days before the next scheduled meeting.
9. **Order of Business.** The order of business to be observed by the Commission shall be at the discretion of the Chair but generally should be as follows:
  - a. Call to Order/Ascertain Quorum/Invocation
  - b. Appoint Recording Secretary
  - c. Introduction of Visitors and Guests
  - d. Invitation for Public Input
  - e. Receive Requests and Motions for Excused Absences
  - f. Receive Minutes of the Previous Meeting(s)
  - g. Communications
  - h. Reports of Committees
  - i. Unfinished Business
  - j. New Business
  - k. Other Business
  - l. Adjournment
10. **Request for Information.** To keep all members of the Commission properly informed and to prevent duplication of work, any written report, survey, statistics, or information requested by the Commission, or any member thereof should be initiated by action of the Commission and duly recorded in the minutes. Copies of such reports should be made available to all members of the Commission.
11. **Rules of Order.** Meetings of the Commission shall generally be informal, with customary motions and seconding's. Robert's Rules of Order shall apply if so declared by the Chair, or by a majority of members present at any meeting.
12. **Minutes of the Commission Meetings.** Minutes of all Commission and Committee meetings will be presented in draft form prior to the next meeting when a vote to approve the minutes shall be held. Once approved, official minutes will be uploaded promptly to the Department website and forwarded to the Legislative Reference Library. An official copy of all

minutes shall remain on file in the Department's offices, available to any citizen desiring to examine them.

13. **Recessed Meetings.** A meeting of the Commission and its committees may recess to the next calendar day when necessary to complete its agenda business. If two or more days have elapsed since deliberation on an item that was suspended, an additional and separate posting requirement can be waived by a majority vote of the meeting quorum when circumstances require a meeting to be held and no practical means exists to post notice prior to reconvening the meeting.
14. **Attendance Expectations.** Members of the Commission are expected to attend all regularly scheduled meetings in person. It is understood, however, that there may be times when members must miss a meeting due to circumstances beyond their control such as illness, bereavement, military obligations, jury duty, or weather conditions. Upon a motion of a member, the Commission may vote to excuse these types of absences on a case-by-case basis. The minutes of each meeting shall reflect whether the absence of a member was excused by the Commission.

Members are expected to provide prior notice to the Commission of any meeting they will miss. Notice of an unexpected absence due to illness or an emergency shall be given as soon as possible. Missing a meeting without notification is unacceptable and such absence will not be subsequently excused by the Commission.

#### G. **Motions for Oral Arguments**

As provided in [7 TAC Section 93.603](#), any party who has filed a motion for appeal to the Commission and who has timely requested oral argument may, if approved, argue the case to the Commission during the public meeting called to consider the matter. To promote administrative efficiency and to expedite decisions on properly filed requests, the Chair is authorized to grant or deny the request. If granted, the Chair will set the time that will be allowed for argument and may determine the issues on which argument will be allowed. The party must complete argument in the time allotted and may continue after the expiration of the allotted time only by a majority vote of the meeting quorum. A party's failure to request oral argument waives the party's right to argue. But even if a party has waived oral argument, the Chair may direct the party to appear and argue.

Oral argument should emphasize and clarify the written arguments in the motion for appeal. The party should assume that all members of the Commission have read the motion before oral argument and the party should be prepared to

respond to questions. A party should not refer to or comment on matters not involved in or pertaining to what is in the record.

### **III. GENERAL POLICIES OF THE COMMISSION**

It is the policy of the Commission, acting as one body to:

- A. Welcome suggestions from the public and to solicit professional and technical advice and the thinking of citizens from all walks of life.
- B. Conduct its deliberations and to arrive at its decisions by acting as a full Commission, and to never delegate the power of decision to any permanent or standing committee.
- C. Function as a policy-forming Commission and seek the advice and counsel or professional leadership from within the Department, through the Commissioner, as well as from outside sources in establishing programs for the benefit and welfare of the people of Texas, and to carry out the intent and spirit of the Legislature.
- D. Provide the Commissioner with the opportunity to be heard and render his advice and recommendations on all matters under consideration by the Commission prior to the final action.
- E. Give direction and support to the Commissioner in carrying out the policies established by the Commission and in the discharge of his general administrative duties and responsibilities.
- F. . Communicate and collaborate with Department staff on matters of Commission business only through the Commissioner or his/her designee and only to complete tasks as appropriate to the individual member's assigned role. No individual member shall have the authority to control or otherwise direct a Department employee.
- G. Support an affirmative action program to ensure equal employment opportunity and nondiscrimination because of race, color, religion, age, sex, national origin, or handicap in the provision of services and in personnel practices and procedures.
- H. With advice and recommendations from the Commissioner, establish a Credit Union Department sick leave pool pursuant to [Chapter 661 of the Government](#)

[Code, Subsection A](#), to assist employees who suffer a catastrophic injury or illness and have exhausted all accrued leave. The sick

leave pool will be under the day- to-day control of the Commissioner who may appoint an employee of the Department to administer its operation.

- I. Continually improve the quality of its rules, by minimizing regulatory burdens on the public and the credit union movement, and generally by ensuring that its rules achieve legislative goals effectively and efficiently. The Commission will be guided by the following principles in its promulgation and review of rules.
  1. Burdens imposed on the credit union movement and the public should be minimized. Before issuing a rule, the Commission will give careful consideration to the need for such an issuance. Frequently, a rule is required by statute. Alternatively, the Commission may identify a need for a supervisory tool to implement its statutory obligations, or to clarify its position for the benefit of the credit union movement or the public. Once the need for a rule is determined, the Commission will seek to minimize to the extent practicable the burdens which such issuance imposes on the credit union movement and the public. New reporting and recordkeeping requirements imposed by a rule will be carefully analyzed. The effect of the rule on competition within the movement and the financial services industry will be considered. Particular attention will be focused on the impact that a rule will have on small credit unions and whether there are alternatives to accomplish the Commission's goal which would minimize any burden on small credit unions. Prior to issuance, the potential benefits associated with the rule will be weighed against the potential costs.
  2. Rules should be clearly and understandably written. The Commission will seek to make its rules as clear and as understandable as possible for those persons who are affected by them. In developing or reviewing existing rules, the Commission will consider the rule's structure as well as the specific language used; both are important components to achieving a clear and useful rule.
  3. The public should have a meaningful opportunity to participate in the rulemaking process. The Commission will seek to improve its rules during the development phase. Whether a new rule is being promulgated or an existing one revised, the Commission will give careful consideration to the implications of its actions as public policy. Public participation in the rulemaking process is an opportunity for the Commission to hear directly from affected members of the public with important experience and thoughtful insights related to the pertinent issues. A person or credit union may petition the Commission for the issuance, amendment, or repeal of any rule by submitting a written petition to the commissioner. The petition should include a complete and



concise statement of the petitioner's interest in the subject matter and the reasons why the petition should be granted.

4. All rulemaking will be carried out in accordance with the Administrative Procedures Act, by which the Commission will provide the public with notices of proposed rulemaking and opportunities to submit comments on the proposals. All comments and proposed alternatives received during the comment period will be considered prior to the issuance of a final rule. The Commission takes final action on proposed rules as promptly as circumstances allow. If a significant period of time elapses following publication of a proposed rule without final action, the Commission will consider withdrawing the proposal or republishing it for comment. If the Commission decides to reconsider a proposed rule that has been withdrawn, it will begin the rulemaking process anew.
5. Rules should be reviewed periodically. To ensure that the Commission's rules are current, effective, and efficient and continue to meet the principles set forth in this statement of policy, the Commission will periodically undertake a review of each rule. The Commissioner will, consistent with applicable laws, establish a schedule and procedures for the reviews. Factors to be considered in determining whether a rule should be revised or eliminated include: the continued need for the rule; opportunities to simplify or clarify the rule; the need to eliminate duplicative and inconsistent rules; and the extent to which technology, economic conditions, and other factors have changed in the area affected by the rule. The result of this review will be a specific decision for each rule to be either revised, rescinded, or retained in its then-current form.

#### **IV. RESPONSIBILITIES OF THE COMMISSION**

- A. The Commission shall be responsible to the public for the overall conduct of the Department with specific reference to:
  1. Responsibility for the management and administration of the Department's funds, subject to any restrictions or requirements imposed by the Government Code.
  2. Responsibility for interpreting the financial needs of the Department and adopting a fiscally-prudent budget that ensures the Department fulfills its supervisory mission.
- B. The Commission should, to the extent possible, make certain that an effective

and client-concerned program is carried out for citizens.

- C. The Commission or any of its individual members, shall not take any direct responsibility for administering the Department.
- D. The Commission should exercise its responsibility of interpreting the Department to the public, explaining its programs and policies, and defining its actions.
- E. The Commission should exercise its responsibility of representing and interpreting the public to the Department staff, explaining its programs and policies to the Department.
- F. The Commission members should become familiar with the State constitutional provisions, statutes and rules directly affecting the Department and seek the advice and recommendations of staff and the Department's General Counsel. In the event the Commission wishes to seek additional advice or recommendations from the Attorney General or any other legal counsel, including outside counsel, retained by the Department, it should do so only when authorized by action of the Commission.
- G. The Commission should assume responsibility for leadership in securing appropriate legislation to further existing programs or to provide for new and additional programs for the benefit of Texas citizens.
- H. The individual Commission members should:
  - 1. Have a good understanding of the purpose of the Department and conviction as to the importance of the program.
  - 2. Have capacity to view the Department objectively in relation to changing needs and to be receptive to changes necessary to meet such needs.
  - 3. Understand the Department's policy on the difference in function between Commission and staff and work in genuine accord with this policy.
  - 4. Keep informed of developments in the field appropriate to the work of the Department.
  - 5. Serve actively on the Commission, attend all Commission and committee meetings unless valid reasons prevent it, and promptly carry out all assignments.

6. Become acquainted with the various operations of the Department and the Department's staff to ensure a broad knowledge of the Department.

7. Make constructive suggestions and recommendations regarding the operation of the Department through the Commissioner.

I. The Commission shall be responsible for reviewing grievances of employees who are not satisfied with the decision of the Commissioner on a grievance alleging discrimination, sexual harassment or the Commissioner's non-compliance with applicable laws or rules. The grievant must submit such grievances to the Chair of the Commission within ten working days after receipt of the Commissioner's response. If the facts of the grievance support the Commissioner's response, the Chair and Vice Chair shall affirm the Commissioner's resolution. Otherwise, the Chair and Vice Chair shall initiate an investigation, jointly reach a final decision, and furnish a copy of the findings and final decision to the Commissioner and the grievant within 10 working days following receipt of the grievance by the Chair. The 10 working days may be extended by the Chair with the concurrence of the grievant.

The review and response to the employee grievance are confidential and will be treated as such. Any discussion regarding the grievance should be restricted to those individuals who are responsible for responding to the complaint and those having knowledge pertinent to the investigation, resolution and/or response.

## **V. ESTABLISHING NEW POLICIES AND AMENDING OR RESCINDING EXISTING POLICIES**

- A. **Establishing New Policies.** All actions of the Commission which establish policy should be incorporated into a statement of policy enacted by resolution at a Commission meeting.
- B. **Amending Existing Policy.** Existing policies may be amended at any Commission meeting by a majority vote. These policies should be reviewed at least once each year. Amended policies shall show the date of amendment and the effective date if not immediate.
- C. **Rescinding Existing Policy.** An existing policy should be rescinded by appropriate resolution enacted by the Commission as of the date of such action or at an established future date, but the effective date cannot be made retroactive.

## **VI. TRAVEL OF COMMISSION MEMBERS**

- A. **Compensation.** [Section 15.207, Texas Finance Code](#), provides that: "(a) A

commission member may not receive compensation or a benefit because of the member's service on the commission except as provided by Subsection (b). (b) For each day that a commission member engages in the business of the commission, the member is entitled to:

- (1) per diem, including compensatory per diem;
- (2) actual expenses for meals and lodging; and
- (3) transportation expenses."

- B. **Meals and lodging.** Members shall be reimbursed for actual expenses for meals and lodging. Generally, the amount reimbursed should not exceed the locality-based maximum rates approved by the Office of the Comptroller of Public Accounts. In accordance with IRS requirements, a member that receives reimbursement for meals in conjunction with non-overnight trips will be issued an IRS Form 1099 for the calendar year in which the reimbursement was paid.
- C. **Transportation.** Members shall be reimbursed for transportation in conformity with allowances specified by the Comptroller of Public Accounts, except that the mileage allowance for use of a privately-owned vehicle is limited to the rate authorized for Department staff.
- D. **Additional Travel.** Any additional travel at State expense by individual Commission members pertaining to Department programs, other than attendance at legislative hearings or meetings with legislators, shall require prior approval by the Commission or if circumstances warrant, the Chair may grant approval subject to final approval of the Commission. Commission members may attend certain state and national credit union conferences in furtherance of their knowledge and skills related to their responsibilities as a Commission member, subject to approval by the Commission.
- E. **Public Members.** The disadvantage that public members may have by not having a sponsor organization to fund attendance at training conferences is recognized and shall be considered in formulating budget requests and in scheduling public members for conferences.

## **VII. RECOGNITION AWARDS**

- A. Upon taking office as members of the Commission, all members will receive a Commission pin that identifies them to the public as an official overseeing the regulation and supervision of the state credit union system.
- B. Upon the resignation of or completion of a term of office for a member, the Commission will adopt a resolution of appreciation to recognize the service of

that member. A copy of the framed resolution will be provided to the former member as a token of the Commission appreciation. The total cost associated with preparing and delivering this token shall not exceed the limitations contained within the General Appropriations Act for such an award.

- C. The Commission, in the exercise of its discretion, may also recognize any individual it deems worthy for his/her exemplary service to credit unions, the Department, or the Commission. Recognition for such accomplishment is reserved for the outstanding and is not meant to become routine.

#### **VIII. NEW COMMISSION MEMBER TRAINING**

The Texas Finance Code requires members newly appointed to the Commission to complete a training program before voting, deliberating, or being counted as a member in attendance at a meeting of the Commission. The training program provides the Commission member with information regarding the functions and operations of the Department, requirements of certain provisions of the Texas Government Code, conflicts of interest and ethical considerations, and the basic principles of credit union management.

The training program is divided into three required sections. The training program will be encapsulated in a formal training manual. Each Commission member must sign an annual statement acknowledging their receipt and review of the training manual. The name, purpose and outline of each section are presented in Appendix B.

#### **IX. ADVISORY COMMITTEES**

The following policy governs the appointment and use of advisory committees.

- A. The Commission may appoint an advisory committee to provide the Commission, the Commissioner, or the staff with advice and counsel not available from Department sources on matters of Department responsibility.
- B. The appointment and use of advisory committees shall comply with all applicable statutes, including the Credit Union Act and the Government Code. Prior to appointing any advisory committee, the Commission must adopt rules

governing the purpose, mission, structure, and use of the advisory committee it creates.

- C. The Commission shall determine the number of individual members that will constitute the advisory committee. The number of members may not exceed 24. In appointing members to the committee, the Commission must provide a balanced representation between the industry and credit union members.
- D. The committee shall meet as prescribed by Commission rule and shall select a presiding officer from its members. All meetings shall be posted and conducted in compliance with the Open Meetings Act. The presiding officer shall report to the Commission.
- E. The Department may reimburse committee members for travel expenses if, and to the extent, permitted by applicable statutes and the availability of funds in the Department's budget.
- F. The Department shall provide the Commission an annual evaluation of the committee's work, the committee's usefulness, and the costs associated with the committee, including the cost of staff time spent in support of the committee's activities.
- G. The committee shall serve until abolished as set out in Commission rule.

## **X. STANDING COMMITTEES**

### **A. Commissioner Evaluation Committee**

- 1. **Members.** The Commission Chair shall appoint a Commissioner Evaluation Committee of three members and shall designate one member as Chair. The Commission Chair will serve as an ex-officio, non-voting member of this committee.
- 2. **Purpose.** 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.
- 3. **Responsibilities and Duties.** In furtherance of the Committee's purpose, and in addition to any other responsibilities that may be assigned to it from time to time by the Commission, the Committee shall have the following responsibilities and duties:

- a. Annually review the Commissioner Performance Evaluation Process and Tool, and recommend revisions to the Commission.
  - b. Conduct the Commissioner's evaluation process at the close of each fiscal year, and present the results to the Commission. The process should accomplish the following:
    - i. i. Communicate the Commissioner's leadership and management performance over the previous year as viewed by the Commission members; AND recommend adoption of the Committee's reporting of results for the Commissioner Performance Evaluation.
    - ii. Revise any necessary elements in the existing process and tool to clarify the Commissioner's role and performance standards, so to ensure the Department is effectively administered; AND recommend adoption of the revised Commissioner Performance Evaluation Process document for the ensuing fiscal year.
    - iii. ~~to~~ Prepare the Commission members ~~on~~ for their annual deliberation in executive session regarding the Commissioner's remuneration. All decisions regarding remuneration for the Commissioner require formal action by the Commission.
  - b. . Oversee the implementation of the Department's succession plan for the Commissioner's position when a vacancy or projected vacancy exists; and routinely review the plan, including such things as the Commissioner's job description, the policies and procedures for new Commissioner selection, ~~as well as~~ and policies regarding succession in the event of an emergency, AND make recommendations to the full Commission regarding any changes to the plan. Ref: Appendix C
4. **Evaluation.** The evaluation process will be completed at the last regularly scheduled Commission meeting of the calendar year.

#### B. Rules Committee

1. **Members.** The Commission Chair shall appoint a Rules Committee of three members and shall designate one member as Chair. The Commission Chair will serve as an ex- officio, non-voting member of this committee.
2. **Purpose.** 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.

3. **Responsibilities and Duties.** In furtherance of the Committee's purpose, and in addition to any other responsibilities that may be assigned to it from

time to time by the Commission, the Committee shall have the following responsibilities and duties:

- a. Develop and review the administrative rules in accordance with the Administrative Procedures Act and the Government Code.
  - b. Create a forum to discuss rulemaking matters at a more detailed level than could be accomplished at regular Commission meetings make recommendations to the Commission with respect to the adoption, amendment, or repeal of administrative rules.
4. **Meetings.** All Committee meetings will be open to the public and should be publicized to encourage participation by credit unions and credit union members. Meetings will generally be held the day before each regularly scheduled meeting of the Commission.

C. **Audit Committee**

1. **Members.** The Commission Chair shall appoint an Audit Committee of three members and shall designate one member as Chair. The Commission Chair will serve as an ex-officio, non-voting member of this committee.
2. **Purpose.** The purpose of the Committee is to implement and oversee and independent audit program of the Department's financial reporting process.
3. **Responsibilities and Duties.** In furtherance of the Committee's purpose, and in addition to any other responsibilities that may be assigned to it from time to time by the Commission, the Committee shall have the following responsibilities and duties:
  - a. Recommend to the Commission for approval of the development implementation and performance monitoring of an independent audit plan.
  - b. Recommend to the Commission for approval and oversight of appropriately qualified vendors to audit the Department.
  - c. Encourage and facilitate cooperation between auditors hired by the Commission and auditors assigned by other state agencies to audit the Department.

- d. Recommend to the Commission for approval a solicitation document, a vendor, or a contract, for auditing services only if the solicitation document, vendor's proposal, or the proposed contract, as applicable, includes a clause that requires the selected vendor to cooperate with an auditor assigned by a state agency to audit the Department, and only if it includes any other clauses required by the Commission.
- 4. **Meetings.** All Committee meetings will be open to the public and should be publicized to encourage participation by credit unions and credit union members. Meetings will generally be held the day before each regularly scheduled meeting of the Commission.

D. Commission Policy Manual Review Committee

- 1. **Members.** The Commission Chair shall appoint Commission Policy Manual Review Committee of three members and shall designate one member as Chair. The Commission Chair will serve as an ex-officio, non-voting member of this committee.
- 2. **Purpose.** The purpose of the Committee to implement and oversee the Commission Policy Manual for recommendation of changes to the Commission.
- 3. **Responsibilities and Duties.** In furtherance of the Committee's purpose, and in addition to any other responsibilities that may be assigned to it from time to time by the Commission, the Committee shall have the following responsibilities and duties:
  - a. Review the Commission Policy Manual at least once annually.
  - b. Recommend to the Commission for approval changes to the Commission Policy Manual.

XI. **THE ROLE OF THE COMMISSIONER IN RELATION TO THE COMMISSION AND PUBLIC**

- A. The Commissioner is accountable to the Commission for the overall operation of the Department. The Commissioner acts as liaison between the Commission and the staff.

- B. The Commissioner shall take the initiative in interpreting programs to the Commission, in suggesting new ideas or plans, and in presenting matters for Commission consideration.
- C. Subject to the requirements of Section II, E.8 (Agenda Items and Notice), the Commissioner, in cooperation with the Chair and Vice-Chair, shall be responsible for preparing an agenda for Commission meetings and for preparing reports for the meetings.
- D. The Commissioner shall act as official representative of the Department with the public, and as such shall have authority to designate other staff members to act in this capacity in accordance with his/her judgment.
- E. The Commissioner has responsibility to ensure compliance with all Commission policies and State and Federal laws and regulations concerning the Department.
- F. The Commissioner shall notify the Commission of any instance in which his or her authorized actions are, or may be, at variance with Federal or State statutes or rules.
- G. The Commissioner has responsibility to exercise control over all divisions of the Department, and to appoint, supervise, and remove staff and subordinate employees of the Department as the interest of the agency may demand. The

expectation of the Commission is that the Commissioner will be fair and when the interest of the agency dictates that the Commissioner take an adverse personnel action, (s)he should consider all known factors relating to the matter. Appointment of a Deputy Commissioner may be made by the Commissioner subject to approval by the Commission.

- H. The Commissioner shall make such recommendations to the Commission concerning the affairs of the Department as may be desirable.
- I. The Commissioner shall keep the Commission informed of the financial condition and future needs of the Department.
- J. The Commissioner shall be responsible for preparing the budget requirements for the Commission and be responsible for budgetary administration of all funds received by the Department.
- K. The Commissioner shall prepare and submit to the Commission such reports as may be required or desired by the governing body and keep the Commission continuously informed of the functions of the Department.
- L. The Commissioner shall prepare program and financial reports which will provide the Commission with the information required to fulfill its responsibilities. Such reports shall be updated for presentation at least semiannually. In these reports the Commissioner shall point out any significant trends that may be indicated and shall be especially alert to inform the Commission of any potential problems.
- M. The Commissioner shall keep the public informed through reports to the Commission regarding the operations of the various programs and through a monthly newsletter.
- N. The Commissioner shall prepare and submit the plans for services to be provided by Commission programs, other than those of a visual nature, in accordance with Federal requirements and regulations, subject to the approval of the Commission.
- O. The Commissioner shall have authority to execute all third-party contracts and interagency contracts for services on behalf of the Department.
- P. The Commissioner shall be responsible for the development of administrative manuals to provide uniform rules, regulations and operating procedures in accordance with State laws, and with Federal regulations and laws applicable to Commission programs.

- Q. The Commissioner shall be responsible for developing programs for staff development and training of personnel of the Department.
- R. The Commissioner shall be responsible for developing and maintaining an adequate and technically qualified program evaluation process that will be able to determine the validity and effectiveness of the programs of the Department.
- S. The Commissioner shall notify the Commission members of the issuance of a conservation order.
- T. In cases where either a member of the Department's staff or the insuring organization itself is not appointed as conservator, the Commissioner will select conservators in accordance with established guidelines and shall execute a standard engagement contract approved by counsel containing the terms of the conservatorship appointment. The Commissioner shall provide details related to conservatorship activities as follows:
1. Conservatorship orders issued during the past quarter,
  2. Deviations from the standard contract, if any, and
  3. A summary of the cost of each conservator by credit union.
- U. Commissioner shall immediately notify the Commission members of any request for a hearing to appeal a conservation order.

## **XII. AUTHORITY TO APPROVE DOCUMENTS INVOLVING BUDGETED FUNDS**

The Commissioner is authorized to delegate to any officers or employees of the Department authority to place their signatures on any account pertaining to funds of the Department.

## **XIII. STRATEGIC GOALS**

Four strategic goals guide the operations of the Department and directly support the vision of the Commission:

- To ensure a safe and sound credit union industry.
- To provide a flexible regulatory framework that enables credit unions to provide a full competitive array of financial services.
- To safeguard the interest of credit union members.

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

#### **XIV. LEGAL COUNSEL**

The General Counsel is the attorney for the Department. This includes the Commission, the Commissioner, and other Department officers and employees. The Commission, the Commissioner, and other Department officers and employees shall consult with the Department's General Counsel as needed on matters germane to their duties and responsibilities.

When representation is warranted from the Attorney General's Office, the Department shall submit a request for representation to the Attorney General's Office.

Outside legal counsel other than the Attorney General shall be retained only upon approval of the Commission and Attorney General.

#### **XV. ETHICAL STANDARDS**

It is of the highest importance that the people of the State of Texas have complete confidence in the integrity of their public servants. This need is especially critical in the area of financial services regulation. The responsibility for supervising and regulating the credit unions of the State carries with it the duty to adhere to the highest ethical standards and principles. It is for this reason that these standards are adopted by the Credit Union Commission.

- A. **Principles.** Maintaining the trust and confidence of all those with whom the Department comes into contact is critical to the Department's success. That trust and confidence depends on the Department's reputation for acting ethically, with integrity and to the highest professional standards. Therefore, the Department, its staff, and Commission Members shall strive at all times to avoid acting in such a way as would, accidentally or otherwise, bring the Department into disrepute.
- B. **Code of Conduct.** The Department does not proscribe limits to or interfere in the way staff or Commission Members choose to enjoy their personal or private time. However, staff and Commission Members must be aware that, in the eyes of the public, any Department-related activity in which they are involved cannot be wholly divorced from their association with the Department, and therefore

may reflect on the Department or be attributed to it. In any situation which they are or may appear to others to be acting on behalf of the Department, staff and Commission Members shall take care to ensure not only that personal motivations and interest do not conflict with those of the Department, but also that they do not appear to do so to the perception of an outside observer. Staff and Commission Members shall therefore uphold the Commission's Ethical Standards in all situations where they might reasonably be regarded as representing the Department. Specifically, Department staff and Commission Members must avoid action, whether or not specifically prohibited by statute, which might result in or create the appearance that they are:

- Using public office for private gain;
- Giving preferential treatment to a person or group;
- Losing the ability to make independent and impartial decisions or recommendations; and
- Conducting themselves in a manner that would adversely affect the public's confidence in the integrity of the Department.

C. **Code of Ethics.** In all actions, activities and relationships, the Department, its staff, and Commission Members will act with the highest standards of integrity and objectivity. Specifically, they must:

- Act with honesty and integrity, and never knowingly mislead any person.
- Be impartial, ensuring that they declare and make known personal interests and do not give or receive any inducement which could, or could be seen to, be corrupt or conflict with the interest of the Department.
- Comply with applicable laws, rules and regulations.
- Maintain the confidentiality of information entrusted to them by the Department or credit unions except when authorized or otherwise legally obligated to disclose.
- Deal fairly with credit unions, credit union members, and staff.
- Provide information that is accurate, objective, relevant, timely, and understandable.
- Protect and ensure the proper use of State resources and assets.
- Promptly report any illegal or unethical conduct to management or other appropriate authorities.

D. **Conflict of Interest.** As representatives of the Department, staff and Commission Members are obligated to place the interest of the Department, in any transaction involving the Department, ahead of any personal interest or personal gain and to disclose all facts in any situation where potential conflict of interest may arise. Involvement in any activity or occupation in which an



individual may have a "private or personal" interest with an entity under the Department's jurisdiction could be interpreted by the public as a potential conflict of interest, and thereby a breach of ethical standards. Any such involvement must be properly disclosed by the individual who will then recuse him or herself from any dealings with the entity.

- E. **Equal Opportunity.** The Department shall be committed to providing a work environment that values diversity and provides opportunities regardless of race, color, religion, gender, national origin, sexual orientation, marital status, age, or disability. This commitment applies to both applicants and staff in all phases of employment including recruiting, hiring, placement, training, development, transfer, promotion, demotion, performance reviews, compensation, benefits, and separation from employment.
- F. **Specific Restrictions.** Lending transactions and deposit relationships with credit unions by individuals having regulatory authority over those institutions could be interpreted by the public as a conflict of interest. Such unfavorable perceptions could diminish public confidence in credit unions or the regulatory agency. Therefore, neither the Commissioner, the Deputy Commissioner, nor the General Counsel may be a member of, or be directly or indirectly indebted to, any credit union under the Department's jurisdiction, or any affiliate of such credit union (hereafter referred to collectively as "Credit Union"). In addition, examiners may not become directly or indirectly indebted to a Credit Union supervised or regulated by the Department. Other individuals employed by the Department may become a member of or be indebted to a Credit Union as long as the employee meets the financial requirements to obtain such credit or loan, the terms of the arrangement are no more favorable than those available to the general membership, and the relationship is fully and properly disclosed to the Department before funding. With the exception of the Commissioner, the prohibition on indebtedness to a Credit Union does not apply to an employee if the indebtedness was permissible under this policy when incurred and became prohibited as a result of employment by the Department or circumstance over which the employee had no control, including a merger, conversion, or purchase or sale of assets involving a Credit Union. An employee is restricted from examining a Credit Union and may not knowingly participate in or consider any matter concerning a Credit Union if the employee has or has had a borrowing relationship, past employment, pension interest and relatives working in a Credit Union. An indebtedness that was permissible when incurred and that becomes prohibited as result of employment by the Department or circumstances over which the employee has no control, may be continued as long as no additional funds are advanced, and the indebtedness is not modified on terms more favorable than those extended to other credit union members.

- G. **Outside Activities.** It is recognized that the Commissioner and other staff may be asked to serve on the boards, councils or other governing or advisory bodies of various business, civic, professional, and social organizations in non-compensated positions. Such service is generally deemed to be in the best interest of the Department because it broadens the experience of the individuals involved and exposes the Department to a larger audience of business, civic, professional, and social leaders. Such involvement, however, must be properly disclosed by the individual.
- H. **Department Policies.** The Commissioner may, as deemed necessary or appropriate, adopt more specific policies to refine or implement these standards.
- I. **Annual Disclosures and Prohibition of Certain Contracts.**
- (a) The Commission is committed to ensuring that the Department's procurement, contracting and contract management are conducted in accordance with the principles of openness, trust, and in full compliance with the provisions of [Texas Government Code § 2261.252](#).
  - (b) For purposes of this section, a Commission member or staff member under this section has a financial interest if they:
    - (1) own or control, directly or indirectly, an ownership interest of at least one percent in an entity, including the right to share in profits, proceeds, or capital gains; or
    - (2) could reasonably foresee that a contract with the entity could result in a financial benefit to the Commission member or staff members under this section.
  - (c) In pursuit of this important goal, the Commission requires annual disclosure by each Commission member and staff member who is involved in procurement or contract management for the agency of any potential conflicts of interest specified by state law or that is known by the member or staff with respect to any contract with a private vendor by the agency or bid for the purchase of goods or services from a private vendor by the agency.
  - (d) Commission members and covered staff members under this section are required to complete an annual disclosure form even if they do not have a financial interest to report. In such a situation, the Commission member or staff member shall file annual disclosure statement, stating "none". Each fiscal year, an annual disclosure statement under this section must be submitted to the Department's Staff Services Officers by September 30. Any changes in financial interest must be reported promptly by completing a new disclosure form not later than the 30<sup>th</sup>

day after the date of the change or the member becomes aware of the change, whichever event occurs later.

- (e) The agency may not enter into a contract for the purchase of goods or services with a private vender with whom any of the following agency employees or officials have a financial interest:

- (1) a member of the Commission;
- (2) the Commissioner, the Deputy Commissioner, the general counsel, or any employee engaging in purchasing for the agency; or
- (3) a family member related to an employee or official described by Subdivision (1) or (2) with the second degree by affinity or consanguinity.

- J. **Political Activity/Lobbying.** A Commission Member is free to engage in political activities/lobbying, which includes communication intended to influence legislation or the outcome of an election, when such political activity/lobbying is carried out in one's capacity as private citizens and when, in the Commission Member's judgment, such activity will not conflict with the Commission Member's ability to carry out Commission responsibilities. A Commission Member should consider, when making such decisions, outside perception and the potential difficulty in distinguishing between the Commission Member's personal and professional capacities. The law and this policy prohibit the use of Department resources (this includes materials, staff time, and travel expenses) for political activities/lobbying, and a Commission Member must make clear when engaging in political activities/lobbying that such activity is carried out in the Commission Member's individual capacity. A Commission Member must not use the Commission Member's affiliation with the Commission/Department in connection with political activity/lobbying.

## **XVI. USE OF TECHNOLOGY**

The Commission recognizes that technology is an indispensable tool enabling government to operate efficiently and provide services. Recognizing that the development of technology resources must be conducted in a secure, deliberate, and cost-effective manner, the Commission is committed to using technology to support Department priorities and program delivery, to increase productivity, and to enhance services to the public.

To implement this commitment for greater use of technology, the Department will research and propose appropriate and affordable technological solutions for improving the Department's ability to accomplish its statutory mission. All

technological solutions, at a minimum, shall:

1. ensure that the public can easily find information about the Department on the Internet;
2. ensure that credit unions and their members who need to use a Department service or function are able to:
  - a. interact with the Department through the Internet;
  - b. access any service or function that can be provided effectively through the Internet;
  - c. be respectful of individual privacy;
  - d. be secure from unauthorized access; and
  - e. be developed through the Department's planning processes and within budget.

#### **XVII. INFORMATION TECHNOLOGY SECURITY\***

Information, in all forms, created, collected, or distributed by the Department is a valuable asset and must be protected from unauthorized disclosure, modification, or destruction. The Department must employ prudent information security policies, standards, and practices to minimize the risk to the integrity, confidentiality, and availability of information. The Department shall create and maintain an internal information security technology infrastructure to protect the confidentiality, availability, and integrity of information assets.

#### **XVIII. NEGOTIATED RULEMAKING AND ALTERNATIVE DISPUTE RESOLUTION**

The Commission is committed to the use of alternative dispute resolution (ADR) and negotiated rulemaking (NRM) as management tools to resolve disputes at an early stage, in an expeditious, cost effective, and mutually acceptable manner. The Commission adopts this policy to express its support for the appropriate use of ADR and NRM. The procedures used by the Department shall conform to the applicable model guidelines set out by the State Office of Administrative Hearings and shall comply with the requirements of [Chapters 2008](#) and [2009 of the Government Code](#).

This policy is intended to apply to the resolution of disputes in contract administration, disputes in litigation (except as noted below), and internal disputes, such as those between employees and management. It is not intended to apply to examinations and investigations. In addition, the need to ensure that law enforcement function is not compromised, the need to ensure uniform treatment,

and the need for judicial resolution or precedent, make ADR generally unsuitable for challenging enforcement of state laws and rules. This policy is also not intended to apply to situations where the Department seeks a temporary restraining order. Taking into account these factors, as well as budgetary constraints, the Department will consider the use of a consensus building process, using a neutral facilitator and a balanced negotiating committee composed of representatives of all interests that the situation will affect.

The Commission believes that NRM will be most appropriate when the new or existing rule that the Department is developing or amending would have a major effect on the industry or the public and is not mandated by statute or federal regulation. In situations where the formality of NRM is not necessary, the Department will consider using interest-based negotiation or policy dialogue to solicit stakeholders' views of and suggestions for proposed new or amended rules, as well as any other issues that affect the industry or public.

The Department's ADR and NRM proceedings will rely on a neutral third party from the State Office of Administrative Hearings to facilitate resolution of the situation. The Commission believes that ADR and NRM are most successful where a neutral or impartial third party, with no vested interest in the outcome of a situation, allows the parties themselves to attempt to resolve the situation. Neutrality will maintain the integrity and effectiveness of the ADR and NRM program. In furtherance of its commitment to ADR and negotiated rulemaking, the Commission designates the Assistant Commissioner to coordinate the implementation of the policy, to serve as the resource for any necessary training, and to collect data concerning the effectiveness of the procedures.

The choice of when and how to use ADR and NRM is within the discretion of the Commissioner, subject to the agreement of the parties, and does not create any right to judicial review of the Commissioner's decision. In addition, the policy does not obligate the Department to offer funds to settle any case, or to accept a particular settlement or resolution of a dispute.

## **XIX. BUDGET POLICY**

The financial integrity of the Department is of vital importance. Written financial policies assist the Commission and staff in the financial management of the Department, save time and energy when discussing financial matters, engender public confidence, and provide continuity over time as Commission and staff changes occur.

A. **Goal.** The goal of the Commission's budget process is to achieve a balanced

budget while maximizing resources and allocating those resources to align with the Department's statutory mission. To achieve this goal, the Commissioner has the responsibility to submit an annual operating budget to the Commission each fiscal year. This policy outlines the general guidelines for budgeting and the budget process at the Department. The Department budget expresses, in terms of dollars, the funded programs and plans of the Department for the fiscal year and the estimated revenues necessary to finance these programs and plans.

- B. **Strategic Plan.** The Department's strategic plan provides the framework for the annual budget process. The Commissioner is responsible for identifying resources needed to achieve the goals in the Commission approved strategic plan.
- C. **Balanced Budget.** The Commission is required annually to approve a budget for the Department. Typically, budgeted expenditures should not exceed budget revenues in any given year. All or a portion of the reserve fund balance, however, may be used for such things as non- recurring expenditures or to replace temporary declines in revenues at the discretion of the Commission.
- D. **Commission Guidelines.** Each budget year will have unique assumptions depending on circumstances and Commission priorities. A schedule of these budget assumptions will be prepared each budget cycle and approved by the Commission at its first meeting of the calendar year. It is the responsibility of the Commissioner to ensure that all budget assumptions for a given fiscal year are incorporated into the budget and are carried out operationally.
- E. **Budget Adoption.** The budget shall be adopted not later than August 31 of each year; but, in the event the budget is not adopted, the budget for personnel and essential operating supplies made in the previous fiscal year shall be extended until the new budget is adopted.
- F. **Budget Controls.** The Department shall develop appropriate controls and procedures and insure that established control limits are not exceeded. Summary management reports should be prepared quarterly for the Commission to evaluate the current financial status of the agency.
- G. **Limitation on Department Employment Levels.** On an annual basis, the Commission will establish the number of full-time equivalent (FTE) positions for the Department. The Commissioner utilizing his/her discretion may retain staff to a level of 110 percent of the authorized FTEs, as long as the increase does not result in staffing cost exceeding authorized budgeted levels on an

annualized basis. This limitation, however, does not restrict the statutory authority of the Commissioner to negotiate, contract, or enter into an agreement for professional or personal services to carry out the powers, duties, and responsibilities of the Department.

- H. **Revenue.** Generally, projected revenues available to balance a fiscal year budget will be determined from the operating fees and charges generated from 7 TAC Section 97.113 through 7 TAC Section 97.116 and interest earned on the interest bearing deposit account in the Texas Treasury Safekeeping Trust Company. One-time revenue sources may be used for one-time expenditures, such as capital items or short-term contractual obligations of durations of less than twelve months.
- I. **Revenue Estimates.** The Department will submit revenue estimates annually to the Commission. Revenues should be estimated using a conservative approach to avoid any budget shortfalls during the fiscal year.
- J. **Fees.** The Department is self-supporting; therefore, fees must be established at a level ensuring, at a minimum, the recovery of the full cost of operating the Department. The Department will review all fees, at least biannually, and recommend changes based on factors such as the impact of inflation, indirect cost adjustments, and any other related expenses that impact the cost of providing services to credit unions and the citizens of Texas.
- K. **Collections.** The Department will monitor revenue collection throughout the fiscal year. When revenue is less than estimated, the Commissioner shall initiate action consistent with prudent financial management and notify the Commission of such action.
- L. **Replacement/Capital Improvement Plan.** Annually, an updated three- year Replacement/Capital Improvement Plan (RCIP) will be developed and submitted to the Commission for approval. The RCIP must include:
  - 1. A list of proposed maintenance projects or capital improvements with cost estimates and the recommended time schedules for each item.
  - 2. Capital projects presented in the RCIP will show related new operating and maintenance costs.
- M. **Obligated Funds.** Funds that are legally obligated pursuant to a legally binding agreement in one fiscal year prior to the end of that fiscal year are considered obligated funds. Obligated funds include commitments for goods, services, consumables, capital assets, mixed assets, construction, and repair

or remodeling, even though the actual receipt or completion of, or payment



for, the obligated item may not initially occur or finally occur until after the end of the fiscal year in which the funds were obligated. The budget authority for obligated funds will automatically be carried over from the fiscal year in which the obligation is made to each fiscal year until the legal obligation is satisfied, and the subsequent fiscal year budget is increased by an amount exactly equal to the obligated amount. Obligated funds may only be used for the purposes of the obligation. If the expenditures remitted for the completed obligation are less than the budgeted amount, including any amounts carried over, the remaining obligated funds may not be recommitted or reused without the expressed permission of the Commission.

- N. **Unexpended Funds/Excess Revenue.** Unobligated and unexpended funds in the budget and any revenue collected in excess of budgeted expenditures will be retained in the interest-bearing deposit account in the Texas Treasury Safekeeping Trust Company for future use as determined by the Commission.
- O. **Limitation on Use of Funds.** The Department may only expend funds for items set out in the expenditure classifications of the Comptroller's Manual of Accounts.
- P. **Reimbursements.** Any reimbursement or refund of expenditures received by the Department for an authorized program or service will be credited back to the budget items or accounts from which the expenditures were originally made.
- Q. **Position Classification Plan.** Expenditures for the salaries of staff will be governed by [Chapter 654, Government Code, Chapter 659, Government Code and Article IX, Section 2.01](#) of the Appropriations Act for the current biennium.
- R. **Salary Limits.** Staff will be paid salaries at rates within the applicable salary schedules provided in Article IX of the Appropriations Act for the current biennium.
- S. **Scheduled Exempt Position.** The Commission shall set the salary of the Commissioner. The rate of compensation provided for the Commissioner shall be guided by Chapter 654, Government Code, Chapter 659, Government Code and the Scheduled Exempt Position Salary Rates established in Article IX, Section 3 of the Appropriations Act for the current biennium.
- T. **Travel Expenses.** All requests for payment or reimbursement of travel related expenses will comply with [Chapter 660, Government Code](#), Article IX of the Appropriations Act for the current biennium, and the Comptroller's Rules.

- U. **Reimbursement Rate.** Commission Members and staff traveling on official state business will be reimbursed at rates that will not exceed the rates announced by the Comptroller for other State employees.
- V. **Retired Employees.** The Department's annual budget shall provide sufficient funding to pay the Department's share of retired employee health care cost.
- W. **Supervisions and Conservatorships.** Any funds received by the Department pursuant to supervision or conservatorship proceedings, as authorized by [Section 126.001, Finance Code](#), are approved to pay/reimburse costs related to such proceedings, including the salary and per diem of the appointed supervisor or conservator.
- X. **Gifts or Grants.** Any gifts or grants approved by the Commission will be separate authority to expend funds for the purpose indicated and will be accounted for separately from the budget.
- Y. **Performance Measures.** The Department's annual budget and operating plan should also include performance measures for each major goal of the agency. Performance measures are predicated on the expected outcomes of services and programs and should focus on the most meaningful results. Performance measures must be updated annually at a minimum.

**Z. Budget Variances and Amendments.**

1. The Commission approved annual budget reflects estimated revenues and expenditures for the fiscal year. During the course of a fiscal year variances in revenue and expense categories may occur as the Department seeks to best maximize and allocate resources to align with Departmental needs and operations. Budget performance and variances will be reflected in quarterly budget reports to the Commission, with information provided on any material variances over 15.0 percent in any major revenue or expense category (for example, salary & wages expense, travel expense, etc.).
2. Revisions of Overall Expenditure Total. Budget revisions to one or more functional areas that increase the overall Department budget must receive the prior approval of the Commission.

**XX. RESERVE POLICY**

This policy is adopted by the Commission to serve as a framework for the Commission to determine the purpose, amount, and restrictions on reserves of the Department.

- A. **Objective.** The Commission recognizes that maintaining appropriate reserves will ensure adequate funding for the needs and obligations of the agency including:

- Sustaining the agency through an unexpected financial crisis.
- Financing contingencies or emergencies as defined by the Commission.
- Purchasing equipment and repairing and maintaining facilities to assist staff in meeting the mission of the agency.
- Covering extraordinary liability claims and deductible levels specified in the agency's insurance policies.
- Funding required lump sum payments of accrued vacation and sick leave

Adequate reserves will minimize the impact of unexpected events on future assessments and ensure the resources used to generate today's programs are funded by those credit unions receiving the benefits and services of the Department.

- B. **Reserves for the Department.** The Department will maintain a Contingency Fund Reserve account (Reserve Account) to provide the funding of potential expense items in multiple categories, each of which has a specific purpose. The sum of the aggregate funds in the Reserve Account will be set at a minimum of 25 percent of the Department's current fiscal year budget, prior to the current year's Reserve Account allocation; unless a different level is determined by the Commission as being necessary to sustain the Department's operations. Each fiscal year, the Reserve Account will automatically be funded to the required level from the current fiscal year's budget unless prior approval is obtained from the commission to exceed that amount. The categories for the Reserve Account are:

1. **Building & Equipment & Technology**

**Purpose:** To provide funds for fixed asset purchases and deferred capital/maintenance projects to repair or renovate the Credit Union Department Building. Generally, the annual operating plan and budget will provide anticipated, upcoming funding needs for this category, based upon:

- Ongoing equipment replacement scheduled at regular intervals to fulfill the agency's need for updated technology and facilities.
- Equipment needs specific to new program development.

2. **Operations**

**Purpose:** To provide operating funds to sustain the agency through an unexpected financial crisis or emergency. If such an event occurred, the utilization of Reserve Account funds for operational needs would be essential to the examination and supervisory functions and fulfilling the mission of the Department.

**3. Lump Sum Accrued Leave Payment**

**Purpose:** To provide funding to pay accrued vacation and sick leave as required by the [Texas Government Code Sections 661.031-038](#) and [Sections 661.061-068](#). The actual activity affecting this category will be evaluated annually to determine if the needs should be incorporated into the annual operating plan and budget. Generally, projected costs to consider include upcoming payments of vacation and sick leave to retiring/terminating employees, and the appropriate payroll taxes and expenses thereon.

**4. Audit**

**Purpose:** To provide funds to pay for unanticipated or excessively long audits by either the State Auditor's Office, other State agencies, or the internal auditor.

**5. Enforcement, Regulatory Response & Legal Costs**

**Purpose:** To provide a fund to bolster the examination and supervision programs when it is necessary to significantly increase monitoring of credit unions, enforce credit union compliance with applicable laws, or pay unusual or extraordinary legal costs associated with operating the Department. Unusual or extraordinary legal costs can include, but not limited to, billings from SOAH, the attorney general's office, use of outside counsel, or other legal costs related to Department lawsuits or appeals of administrative actions.

**6. Insurance**

**Purpose:** To provide funds to cover extraordinary liability claims and deductible levels specified in the agency's insurance policies.

**Restrictions of Use.** The Commission may authorize funds for categorized expenditures for each budget cycle that anticipates such related purchases, or any time unanticipated major building repairs or maintenance expenses arise. However, the Commissioner is provided the authority to utilize funds in the Reserve Account when a significant, unanticipated condition exists which warrants an immediate funding need. In such situations, the Commissioner's authority is limited to a maximum usage amount of up to 35 percent of the balance of the Reserve Account and the Commissioner must also provide a comprehensive report to the Commission regarding the expenditure(s) at the next Commission meeting. The report must include the significant, unexpected event(s) which affected the agency and required use of the funds, the amount of funds used and any other pertinent details. Any release of funds above the 35 percent threshold requires approval from the Commission, prior to the use of said funds.

C. **Investment of Reserve Funds.** Since capital preservation and liquidity are the

two main objectives for the investment of Reserve Account funds, investments will be short-term, with a safety focus. The following are the investment guidelines for the investment of Reserve Account funds:

- Maturity for any investment should be no more than 12 months.
- At least 25 percent of the investments shall have a maturity of less than 90 days.
- All investments must be made through the Texas Treasury Safekeeping Trust Company.

All income earned from the investment of the funds contained in the Reserve Account will be credited to the account, as received each month.

**D. Adjustment of Reserve Account Level.** The Reserve Account level will be set each year in conjunction with the preparation of the Department's annual budget. Any funds in excess of the prescribed amount as of August 31 of each year shall be used to reduce the operating fees for Texas credit unions during the next fiscal year, or any amount of such excess may be transferred to the Reserve account if approved by the Commission at the first meeting after the closing entries for the prior fiscal year.

If the Reserve Account level falls more than 25 percent below the prescribed level, the Department will propose strategies to replenish the account over a period not to exceed two years. The strategies for replenishing the accounts may include using one-time revenues, reducing operating expenses, suspending programs not linked to strategic goals, increasing revenues, or any combination of those strategies. If a reduction in the Reserve Account and its replenishment causes an extreme burden on credit unions, then the replenishment may, with Commission approval, extend beyond the two years to a maximum of four years.

## **XXI WEAPONS POLICY**

This policy is adopted by the Commission to provide notice that the Credit Union Department will not impose any restriction on the carrying of firearms or other weapons beyond those permitted by law.

House Bill 1927, enacted as the Firearm Carry Act of 2021 (FCA), effective September 1, 2021, allows qualified individuals who are twenty-one (21) years of age or older, to carry open or concealed handguns without obtaining a license to open carry.

A licensed carrier (open or concealed) is permitted into an open meeting, unless otherwise permitted by law to be excluded. Pursuant to FCA, an unlicensed carrier is prohibited from going into the room or rooms where an open meeting is taking

place if the governmental entity is holding an open meeting subject to Chapter 551 of the Texas Government Code (Texas Open Meetings Act, a/k/a TOMA) and has properly provided notice of the meeting under TOMA.

# ***APPENDIX***

# DECISION MATRIX

(subject to legislative appropriation requirements)

<u>Description of Decision</u>		<u>Commission</u>	<u>Commissioner</u>
<b>Commissioner Compensation/Responsibilities</b>			
1.	Commissioner's compensation	D	A
2.	Approval of Commissioner serving in position with other organizations	D	A
3.	Evaluation of Commissioner's performance	D	A
4.	Commission's resolution	D	A
<b>Personnel Issues</b>			
1.	Determine number of staff	A	D
2.	Individual salaries for staff		D
3.	Employment/appointment of staff	M	D
4.	Appointment & Termination Deputy Commissioner	A	D
5.	Hire part-time and short-term temps	M	D
6.	Determine number & qualifications of staff	M	D
7.	Change Department's administrative manual	A	D
8.	Staff development & training	M	D
9.	Administer Department's leave program		D
<b>Organizational Structure</b>			
1.	Change organizational structure of Department	A	D
2.	Change the staffing structure of the Department	A	D
<b>Budget/Fiscal Control</b>			
1.	Approval of the Department's Budget	D	R
2.	Administer Department Budget	A	D
3.	Approval to overspend certain categories of the budget	M	D
4.	Approval of claims for reimbursement made by Commission members		D*
5.	Approval of staff expenses on behalf of Department	A	D*
6.	Approval of all other expenditures within budget	A	D*
7.	Safeguard the assets of the Department	M	D*



8.	Approval of supplemental budget requests	D	R
9.	Disbursements to pay for the purchase of items within budget limits, pay re-occurring expenses, contract for services which are within budget limits		D*
10.	Execute third party contracts & interagency Agreements within budget	M	D
11.	Approval to seek outside legal counsel	D	R

### Public Policy Decisions

1.	Decisions about public policy on issues	D	R
2.	Explanation & promotion of Commission's public policy on issues	A/M	D
3.	Execute agreements with public policy implications	D	A/M

### Supervision/Regulatory Decisions

1.	Adopt Administrative Rules	D	R
2.	Approve standardized bylaws and articles of incorporation	D	R
3.	Approve applications for charters, bylaw amendments, and amendments to articles of incorporation	A/M/X	D
4.	Approve applications for mergers, consolidations, name changes, and conversions	A/M	D
5.	Approve Foreign Credit Union to do business in this State	A/M	D
6.	Administer examination program		D
7.	Enter into written agreements with credit unions		D
8.	Issue Cease & Desist Orders	A	D
9.	Issue Orders of Removal from office or employment	A	D
10.	Assess civil penalty	A	D
11.	Institute a suit for injunction or other remedy provided by law	A	D
12.	Issue order of conservation & appoint conservator	A/X	D
13.	Issue order of liquidation & appoint liquidating agent	A	D
14.	Issue interpretations of the Act, Rules and Bylaws	A	D
15.	Enter into agreements with other regulators	A	D
16.	Approve request for Administrative Hearings	A	D
17.	Order non-binding Alternative Dispute Resolution	A	D

**Key:**

- A:** Advised by Decision Maker - This person or group must be advised about a decision which **has been made**.
- D:** Decision Maker - This person or group has the authority to make the decision.
- M:** May Be Consulted - This person or group may be called in to confer, provide related information, render advice or make recommendation.
- R:** Recommends to the Decision Maker - This person or group is responsible for making recommendations for decision making to (D) the decision maker.
- X:** Appellant Decision Maker - This group has the authority/obligation to review a protested decision
- \*:** Authority but not responsibility may be delegated.

## NEW COMMISSION MEMBER TRAINING PROGRAM

### **Section A: The Texas Credit Union Department (Required)**

**Purpose:** Part one provides the organizational background of the Credit Union Department, with an introduction to the laws, rules, and budgeting procedures that govern how the Department operates. Part two provides an introduction to the Department's supervisory authority to include its disciplinary tools and investigatory authority. Part three provides an introduction to the requirements and policies on administrative procedure law and ethical consideration for State officials (conflict of interest, reporting requirements, revolving door, and gifts to public servants).

#### **Outline:**

#### **I. Department**

- A. Composition of Commission
  - 1. Appointment; Terms
  - 2. Qualifications of Commission Members
  - 3. Training Program
  - 4. Vacancies; Removal
  - 5. Expenses of Commission Members
  - 6. Suit for Official Act or Omission
  - 7. Meetings
  - 8. Sunset Provision
  - 9. Officers
- B. Commissioner and Staff
  - 1. Commissioner
  - 2. Deputy Commissioner
  - 3. Examiners
- C. Powers and Duties of Commission
  - 1. Supervision of Commissioner
  - 2. Adoption of Rules
  - 3. Legislative Recommendations
  - 4. Attendance at Commission Meetings
  - 5. Official Committees
- D. Self-Directed Semi-Independent Status
  - 1. Budget Process
  - 2. Current Operating Plan
  - 3. Budget Assumptions
- E. Audits

#### **II. Enforcement of Statutes and Rules**

- A. Regulation of Credit Unions
  - 1. Confidentiality

2. Examination
3. Approval Authority for Bylaw & Articles of Incorporation

- B. Disciplinary Actions
  1. Written Agreements; Orders
  2. Conservation
  3. Mergers
  4. Liquidations

### **III. Government Laws**

5.
  - B.
    - A. Rulemaking
      1. Sources of Rules
      2. Notice of Proposed Rules
      3. Comments on Proposed Rules
      4. Emergency Rules
      - Adopting Rules
    - Open Government
      1. Open Meeting Act
      2. Notice of Meetings
      3. Emergency Meetings
      4. Executive Sessions
      5. Minutes
      6. Violations
      7. Open Records Act
      8. Information Excepted from Disclosure
      9. Violations
    - C. Contested Cases
      1. Rights and Procedures
      2. Final Decisions
      3. Judicial Review
      4. Alternative Dispute Resolution
    - D. Ethics Laws
      1. The “Shoulds”
      2. Gifts, Gratuities, and Other Goodies
      3. Lobbying
      4. Official Misconduct
      5. Revolving Door
      6. Financial Disclosure

#### **Section B: Open Government (Required)**

**Purpose:** Appointed officials are required by a state law to receive training in Texas open government laws. The Office of the Attorney General has established formal training courses to ensure that all appointed government officials have a good command of both open records

and open meetings laws. The Attorney General's Web site contains links and information designed to assist public officials in complying with open government training requirement and Texas open government laws.

**Outline:** None. Newly appointed members should view the two videos online at [http://www.oag.state.tx.us/open/og\\_training.shtml](http://www.oag.state.tx.us/open/og_training.shtml) and provide the "certificates of completion" to the Department. Otherwise, the training program must include the presentation of the two videos.

### **Section C: The Credit Union Movement (Required)**

**Purpose:** Part One of this section provides the historical background of the credit union movement. Part Two provides an introduction to the basic principles and responsibilities of credit union management.

#### **Outline:**

##### **I. The Credit Union Difference**

- A. What is a Credit Union?
- B. Uniqueness in the Financial Services Industry
- C. What's the History of Credit Unions?
- D. Who Regulates and Charters Credit Unions?
- E. Who Insures Credit Union Deposits?
- F. How is the Insurance Fund Financed?
- G. Why Preserve the Dual Chartering System?
- H. What Sets Credit Unions Apart?
  1. Texas Credit Union Department
  2. National Association of State Credit Union Supervisors
  3. National Credit Union Administration
  4. National Share Insurance Fund
  5. National Association of State Credit Union Supervisors
  6. World Council of Credit Unions
  7. International Credit Union Regulators Network

### **Section D: Credit Union On-Site Visitation (Optional)**

**Purpose:** Created with new public members in mind, this optional course affords the member the opportunity to visit a credit union in his or her area and observe, first hand, its operations.

**Outline:** None; content is at the discretion of the credit union president/manager.

## CREDIT UNION DEPARTMENT, STATE OF TEXAS COMMISSIONER SUCCESSION PLAN

**Purpose.** The purpose of this succession plan (“the Plan”) is to have a process for choosing a Commissioner in the event of a planned or unplanned departure of the incumbent.

### **Definitions.**

A ***planned departure*** is a voluntary retirement or resignation, or a resignation requested by the Commission with an effective date of thirty days or more.

An ***unplanned departure*** is one that results by reason of death, an immediate termination of an incumbent Commissioner by the Commission, or the inability of the Commissioner to discharge the duties of the office. An unplanned departure may also be deemed to occur in the event of the Commissioner’s resignation or retirement with an effective date of less than 30 days.

***Inability of the Commissioner to discharge the duties of the office*** can be signified upon either:

1. A written declaration of the Commissioner that he or she is unable to discharge the duties and responsibilities of the office of Commissioner; or
2. Receipt by the Commission of information, which leads the Commission to conclude, in its sole judgment, that the Commissioner is unable to discharge the duties and responsibilities of the office of Commissioner.

**Implementation.** When this Plan becomes operative, the Commissioner Evaluation Committee (“the Committee”) shall immediately assume responsibility for the succession process. The Committee will also serve as the Commission’s search committee for purposes of carrying out the Plan. As soon as possible, the Chair of the Committee shall call for a meeting of the Committee to consider its action plan. This action plan should address, at least, the following matters:

1. If the incumbent Commissioner will continue in office, the effective date of the retirement or resignation. The date should be acceptable to the Commission and the Commissioner, should provide a reasonable time to search for a successor, and should be sufficiently in the future to permit orientation of the new Commissioner and an orderly transition.

2. If the incumbent Commissioner continues in office, whether there should be a change in the authority, duties, and responsibilities of the office.
3. The extent to which the Committee wishes to call upon the incumbent Commissioner and other staff members to assist the Committee during the transition to an interim or permanent Commissioner.
4. Whether an interim Commissioner will be required and, if so, the date upon which the person should assume office.
5. The identification of possible candidates for interim Commissioner and procedures for the selection of an interim Commissioner. The job description of the Deputy Commissioner specifies that he or she may exercise the powers and prerogatives of the Commissioner during the Commissioner's absence or inability to act.
6. Whether a search should be undertaken and, if so, how broad the search should be.
7. If a search is to be undertaken, whether to engage a consultant or search firm to assist the Committee with the search, and, if so, engaging the consultant or firm in accordance with State procurement requirements.
8. The Committee should also determine the specifics of the application process such as the deadline for applications, the confidentiality of its proceedings, procedures for identifying and interviewing candidates, whether to do background checks, procedures for narrowing the list of candidates, for checking references and for final interviews, whether final interviews should be conducted by the full Commission, and procedures for making an offer of employment.

**Interim Commissioner.** If the Committee determines that the appointment of an Interim Commissioner is necessary or advisable, the Chair of the Commission shall call for a meeting of the Commission to consider the matter. Any person appointed by the Commission as Interim Commissioner shall have the full authority for decision-making and independent action as the incumbent Commissioner. The Interim Commissioner shall receive a temporary salary increase to the entry-level salary of the Commissioner position (Schedule Exempt Position Salary Rates Group 5) or to 5% above his or her current salary, whichever is greater.

**Transition Planning.** In the case of any planned or unplanned departure of the incumbent Commissioner, the Chair of the Commission, the Chair of the Committee, and the incumbent or interim Commissioner shall meet as often as necessary to plan, among other matters, the following:

1. The availability of funds for the transition, including the potential compensation package to be offered to a Commissioner candidate.
2. The orderly transition of the duties and responsibilities of the office of Commissioner to any successor; and
3. The manner in which succession events (concerns with confidentiality, departure, selection process, press releases) are to be announced, including the notification of key interested persons.

**Attributes.** Candidates should have the requisite personal attributes for the office of Commissioner, including:

- Sufficient experience, stature, and reputation in the credit union movement, regulation, or professional life to command respect as Credit Union Commissioner.
- Professional and business management skills preferably gained in a credit union or regulatory agency.
- Experience of relationships at Board level in one or more major bodies.
- Intellectual strength, sound business acumen, integrity, and an ability to consider and discuss issues laterally and strategically.
- Awareness of political, regulatory, market, and consumer issues together with an understanding about not-for-profit cooperative financial institutions.
- Sound interpersonal skills and an ability to make good judgments of people.

**Plan Review.** The Committee shall review the Plan periodically in the context of current affairs within and outside of the Department. The review of the Plan should include a review of the most recent position description for the Commissioner. It should also include recommendations to the full Commission for any amendments to the Plan or to the Commissioner position description. In addition, after each use of the Plan, the Committee shall meet to discuss how the Plan worked and shall make recommendations for modifications to the Plan based on its experience with the Plan.



## **Enterprise Risk Appetite Statement**

**Purpose:** to set a boundary around the amount and type of risk that the Commission is willing to take in order to meet its strategic goals and objectives.

**F.**

## **F. RULEMAKING MATTERS**

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, proposes any legislative changes that may be necessary to preserve the attractiveness of a Texas charter.

### **COMMITTEE MEMBERS**

- ❖ David Shurtz, Vice Chair
- ❖ Becky Ames
- ❖ Jim Minge, Ex-Officio

The Rules Committee met on March 20, 2025, in a public meeting. Five 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) Adoption, in Part, of Proposed Amendments to 7 TAC, Part 6, Chapter 97, Subchapter B, Section 97.113 (Fees and Charges)
- (2) Adoption of Proposed Amendments to 7 TAC, Part 6, Chapter 91, Subchapter A, Section 91.101 (Definitions and Interpretations)
- (3) Adoption of the Rule Review of 7 TAC, Part 6, Chapter 91, Subchapter A (General Provisions), Subchapter B (Organization Procedures), Subchapter J (Changes in Corporate Status), and Subchapter L (Submission of Comments by Interested Parties), and Readoption of Rules
- (4) Recommendation for Proposed Amendments to 7 TAC, Part 6, Chapter 91, Subchapter A, Section 91.125 (General Rules)
- (5) Recommendation for Proposed Amendments to 7 TAC, Part 6, Chapter 91, Subchapter J, Section 91.1003 (Mergers/Consolidations)

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

## **PROCEDURES FOR ADOPTING A PROPOSED RULE**

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

### **EMERGENCY RULES**

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

## **PROCEDURES FOR REQUIRED RULE REVIEW**

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

1. Every four years, the Commission and the 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, proposed amendments are prepared by staff and presented to the Rules Committee for review.
5. 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 refers the proposal back to staff, or refers the proposal, as recommended by staff, to the Commission.
6. The Committee's recommendation is presented to the Commission for consideration.
7. The Commission reviews, amends, approves the proposal for publications, refers it back to the Committee, or tables the proposed amendment.
8. If the Commission approves the proposal for publication, it is transmitted to the ***Texas Register*** for publication as a "proposed" rule amendment.
9. A 30-day comment period follows initial publication which also is announced in the Department's monthly newsletter.
10. The Commission may reconsider the rule any time after the 30-day comment period. Any comments received are considered and the rule is available for adoption as "final" if no substantive changes are made. Any substantive change will result in re-publication of the proposal.
11. 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.
12. The amended rule is announced through the Department's newsletter and copies are made available to credit unions.

## **FEES AND CHARGES**

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

**BACKGROUND:** The Credit Union Commission (Commission) approved for publication amendments to §97.113, Fees and Charges, at the meeting on March 21, 2025, and they were published in the April 4, 2025, issue of the Texas Register (50 Tex. Reg. 2293 and 50 Tex. Reg. 2296).

### **COMMENTS RECEIVED AND DEPARTMENT RESPONSES:**

Four written comments were received and are grouped below according to topic:

#### **Organize the fees so rules related to the specific type of fee are grouped together.**

Two comments were received supporting reorganizing the rule. There were no comments received in opposition to these amendments.

#### **Increase supplemental examination fees from \$50.00 hourly to \$100.00 hourly.**

One comment opposed the increase in the fees specifically noting they felt the increase to be arbitrary. Three other comments submitted did not address the fee increase.

In support of the amount, the Department reviewed similar authority provided to the Texas Department of Banking, allowing for specialty examination fees as outlined in 7 Tex. Admin Code §3.36 (h) (2). Their rule allows for a rate not to exceed \$110.00 per examiner hour and any actual travel expense incurred. The current proposal is less than this amount and also includes any travel expense. This proposed fee continues to be less than comparative fees.

For additional support, the Department calculates the average hourly costs of field staff and travel to be approximately \$80, not accounting for any overhead of administration. More expensive and specialized field staff would be utilized in specialized examinations, making the proposed rate reasonable. The last increase in the maximum hourly fee to be charged by the department in special examinations was in March of 2009, or over 16 years ago.

The proposed and current rule provides that the Commissioner “may waive the supplemental fee or reduce the fee, individually or collectively, as he deems appropriate.” This would be available should the fee be an undue financial burden on a credit union, addressing the commentator’s additional concern.

**Increase the foreign branch fee from \$500.00 to \$1,000.00; the field of membership expansion fee for a foreign credit union from \$200 to \$1,000.00 for each application; and from \$50 to \$100 per hour expended by an examiner for an examination, if scheduled by the Commissioner.**

One comment opposed and three other comments submitted did not address the fee increase.

One commentator objected to the proposal stating that the change required an evidence based justification for the increase. We disagree.

Our rules allow for credit unions chartered by other state regulators to operate in Texas. These credit unions do not pay operating fees. We maintain contact information on these institutions, assure there is appropriate insurance coverage and maintain branch listings. We receive, monitor and forward complaints to their state regulator. We also may be requested to process requests for expansions of fields of membership. As a comparison, the operating fee for a state chartered credit union with assets of only \$1 million dollars is \$1,500, which is more than the proposed branch fee for a foreign credit union, regardless of asset size.

Eleven foreign credit unions operating in Texas have an average asset size of \$3.5 billion. This fee increase is rather nominal for a foreign credit union and is reasonable in light of the work to maintain the records and statutorily required annual information in our systems. The current amount of \$100 requires other state credit unions to subsidize the cost of maintaining records or a foreign credit union to operate in this state.

The change to the hourly rate for a review is consistent with the change recommended for Texas state chartered credit unions.

**Allow the department to recover legal and SOAH costs from credit unions who cause the cost to be incurred.**

One comment supported the proposed amendment; one comment was in opposition and one comment suggested more clarity.

A rule change was proposed to allow for, not require, recovery of legal and hearings costs related to actions taken by regulated credit unions. Specifically, this addressed a recent instance where the Department was charged over \$36,000 by the state office of administrative hearings (SOAH) to hear an appeal. Multiple resolution attempts were unsuccessful. All of these expenses were solely paid by the Credit Union Department, and none paid by the appealing credit union. With an annual budget of \$5 to \$6 million, the impact of these costs are material. The rule was proposed to assure that threatened legal actions would not be used as a way for a credit union to mitigate or avoid regulation. It also would put the burden on the Credit Union directly causing the cost and would continue to allow the Commissioner the ability to waive the fee at their discretion.

Three comments were received regarding this rule. One was in strong support, one was in opposition, and one expressed concerns which could be addressed by amendment.

We anticipate that our budgeting and reserve rules will be modified to allow these costs to be charged against reserves and not the current budget. In light of this modification, this amendment is withdrawn until later review.

**Allow the Commissioner to propose future administrative fees to recover costs with notice to credit unions and approval by the commission at least every two years.**

Four comments were received in opposition to this rule addition.

A new addition to the rule was proposed to provide the opportunity for the Commissioner to submit an administrative fees schedule for Commission approval. Four comments were received in opposition to this rule. In response to the objections, we are recommending the proposed rule is withdrawn.

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

**RECOMMENDED ACTION:** The Department requests that the Committee recommend the Commission approve and adopt:

- Amendments to 7 Tex. Admin Code § 97.113 as proposed, but withdrawing the following:
- Changes to (e) are withdrawn.
- Proposed addition of (f) is withdrawn



**RECOMMENDED MOTION:** I move that the Committee recommend that the Commission take action to order adoption of amendments to Rule § 91.101 and adoption, in part, of the amendments to Rule 7 TAC Section 97.113 as previously published in the Texas Register revised to remove the changes to subpart (e) and remove addition of subpart (f) as a response to public comment.

The Credit Union Commission (Commission) adopts amendments to §97.113, concerning fees and charges, with changes to the text published in the April 4, 2025, issue of the Texas Register

The amendments are adopted as a result of the Department's general rule review.

The Commission received four written comments from Tim Miller with Cooperative Teachers Credit Union, Melodie Durst with Credit Union Coalition of Texas, Gevon Calix with First Service and Suzanne Yashewski with Cornerstone League both in support of or in opposition with respect to selected portions of proposed amendments as detailed below. In response to the comments the proposed amendment is withdrawn, in part.

Organizing the rule to keep subparts addressing a specific type of fee grouped together.

Two comments were received supporting reorganizing the rule. There were no comments received in opposition to these amendments.

Increases supplemental examination fees from \$50.00 hourly to \$100.00 hourly.

One comment opposed the increase in the fees specifically noting they felt the increase to be arbitrary. Three other comments submitted did not address the fee increase.

In support of the amount, the Department reviewed similar authority provided to the Texas Department of Banking, allowing for specialty examination fees as outlined in 7 Tex. Admin Code §3.36 (h)(2). Their rule allows for a rate not to exceed \$110.00 per examiner hour and any actual travel expense incurred. The current proposal is less than this amount and will include any travel expenses. This proposed fee continues to be less than comparative fees.

For additional support, the Department calculates the average hourly costs of field staff and travel to be approximately \$80, not accounting for the overhead of administration. More expensive and specialized staff would be utilized in specialized examinations, making the proposed rate reasonable. The last increase in the maximum hourly fee to be charged by the department in special examinations was in March of 2009, or over 16 years ago.

The proposed and current rule provides that the Commissioner “may waive the supplemental fee or reduce the fee, individually or collectively, as he deems appropriate.” This would be available should the fee be an undue financial burden on a credit union, addressing the commentator’s additional concern.

The Commission therefore adopts this portion of the amendment.

Increases the foreign branch fee from \$500.00 to \$1,000.00; the field of membership expansion fee for a foreign credit union from \$200 to \$1,000.00 for each application; and from \$50 to \$100 per hour expended by an examiner for an examination, if scheduled by the commissioner.

One comment opposed the increase in the fees specifically noting they felt the increase to be arbitrary. Three other comments submitted did not address the fee increase.

Our rules allow for credit unions chartered by other state regulators to operate in Texas. These credit unions do not pay operating fees. We maintain contact information on these institutions, assure there is appropriate insurance coverage and maintain branch listings. We receive, monitor and forward complaints to their state regulator. We also may be requested to process requests for expansions of fields of membership. As a comparison, the operating fee for a state chartered credit union with assets of \$1 million dollars (\$1,500) is the more than the proposed branch fee for a foreign credit union, regardless of asset size.

Eleven foreign credit unions operating in Texas have an average asset size of \$3.5 billion. The department believes this fee is rather nominal for a foreign credit union and is reasonable in light of the work to maintain the records and statutorily required annual information in our systems.

The change to the hourly rate for a review is consistent with the change recommended for Texas state chartered credit unions. The Commission, therefore, adopts this portion of amendment.

Allows the department to recover legal and SOAH costs from credit unions who cause the cost to be incurred.

One comment supported the proposed amendment; one comment was in opposition and one comment suggested more clarity.

This part of the rule change was proposed to allow for, not require, recovery of legal and hearings costs related to actions taken by regulated credit unions. Specifically, this was to address a recent instance where the Department was charged over \$36,000 by the state office of administrative hearings (SOAH) related to an appeal of a modified approval of a field of membership expansion application. Multiple informal resolution attempts were unsuccessful.

All of these expenses were solely paid by the Credit Union Department, and none paid by the appealing credit union. With an annual budget of \$5 to \$6 million, the impact of these costs can become material. The rule was proposed to ensure that threatened legal actions would not be used as a tool for a credit union to mitigate or avoid regulation. It also would put the burden on the Credit Union directly causing the cost, particularly that of an independent third party, such as SOAH, and would continue to allow the commissioner the ability not to assess the fee

In response to the concerns from the comments, this part of the amendment is withdrawn to undergo further review.

Allows for the commissioner to propose future administrative fees to recover costs with notice to credit unions and approval by the commission at least every two years.

Four comments were received in opposition to this part of the rule. In response to the opposition, this part of amendment is withdrawn.

Withdrawal of a part of the proposed amendments in response to objection will not materially impact the substance of the rule with the other proposed amendments.

The amendments are adopted under Texas Finance Code, §15.402, which directs the Commission to establish by rule reasonable and necessary fees for the administration of Title 2, Chapter 15 and Subtitle D, Title 3 of the Finance Code.

The specific section affected by the amended rule is Texas Finance Code, §15.402.

§97.113. Fees and Charges.

(a) Operating Fee.

(1) Each credit union authorized to do business under the Act shall remit to the department an annual operating fee. The fee shall be paid in semi-annual installments, billed effective September 1 and March 1 of each year. Either installment may be adjusted as provided by paragraph (6) of this subsection.

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

(3) Calculation of operating fees. The schedule provided in this section shall serve as the basis for calculating operating fees. The base date shall be June 30 of the year in which operating fees are calculated. The asset base may be reduced by the amount of reverse-repurchase balances extant on the June 30 base date.

For Credit Unions with Total Assets Of:

The Operating Fee is:

Less than \$200,000	\$200
\$200,000 but less than \$1M	\$200 plus .001625 of excess over \$200,000
\$1M but less than \$10M	\$1,500 plus .00034 of excess over \$1M
\$10M but less than \$25M	\$4,560 plus .00014 of excess over \$10M
\$25M but less than \$50M	\$6,660 plus .00017 of excess over \$25M
\$50M but less than \$100M	\$10,910 plus .00019 of excess over \$50M
\$100M but less than \$500M	\$20,410 plus .000080 of excess over \$100M
\$500M but less than \$1,000M	\$52,410 plus .000072 of excess over \$500M

\$1,000M but less than \$2,000M	\$88,410 plus .000069 of excess over \$1,000M
\$2,000M and over	\$157,410 plus .000062 of excess over \$2,000M

(4) The commissioner is authorized to increase the fee schedule once each year as needed to match revenue with appropriations. An increase greater than 5% shall require prior approval of the commission. The commissioner shall notify the commission of any such adjustment at the first meeting of the commission following the determination of the fee schedule.

(5) Waiver of operating fees. The commissioner is authorized to waive the operating fee for an individual credit union when good cause exists. The commissioner shall document the reason(s) for each waiver of operating fees and report such waiver to the commission at its next meeting.

(6) Adjustment of an installment. The commissioner in the exercise of discretion may, after review and consideration of anticipated and actual revenues and projected revenues adjust the amount of either installment due from credit unions.

(7) Late Fee. Installments received after September 30 or March 30 of each year will be subject to a monthly 10% late fee (calculated on the balance due) unless waived by the commissioner for good cause.

(8) Credit union conversion. A credit union organized under the laws of the United States or of another State that converts to a credit union organized under the laws of this State shall remit to the department an annual operating fee within 30 days after the issuance of a charter by the commissioner. The schedule provided in paragraph (3) of this subsection shall serve as the basis for calculating the operating fee. All provisions set forth in paragraph (3) of this subsection shall apply to converting credit unions with the following exceptions:

(A) Should the effective date of the conversion fall on or after October 31, the base date shall be the calendar quarter end immediately preceding the issuance date of a charter by the commissioner.

(B) The amount of the operating fee calculated under this section will be prorated based upon the number of full months remaining until September 1. For example, should the effective date of the conversion be January 31, the converting credit union will remit seven-twelfths of the amount of the operating fee calculated using December 31 base date.

(C) Any fee received more than 30 days after the issuance of a charter will be subject to a monthly 10% late fee unless waived by the commissioner for good cause.

(9) Mergers/Consolidations. In the event a credit union in existence as of June 30 merges or consolidates with another credit union and the merger/consolidation is completed on or before August 31, the surviving credit union's asset base, for purposes of calculating the operating fee prescribed in paragraph (3) of this subsection, will be increased by the amount of the merging credit union's total assets as of the June 30 base date.

(b) Supplemental examination fees.

(1) If the commissioner or deputy commissioner schedules a special examination in addition to the regular examination, the credit union is subject to a supplemental charge to cover the cost of time and expenses incurred in the examination.

(2) The credit union shall pay a supplemental fee of \$100 for each hour of time expended on the examination. The commissioner may waive the supplemental fee or reduce the fee, individually or collectively, as he deems appropriate. Such waiver or reduction shall be in

writing and signed by the commissioner. The department shall fully explain the time and charges for each special examination to the president or designated official in charge of operations of a credit union.

(c) Special assessment. The commission may approve a special assessment to cover material expenditures, such as major facility repairs and improvements and other extraordinary expenses.

(d) Foreign credit unions.

(1) Branches. Credit unions operating branch offices in Texas as authorized by §91.210 of this title (relating to Foreign Credit Unions) shall pay an annual operating fee of \$1,000 per branch office.

(2) Field of membership expansion. A foreign credit union applying to expand its field of membership in Texas shall pay a fee of \$1,000 \$200. This fee shall be paid at the time of filing to cover the cost of processing the application. In addition, the applicant shall pay any cost incurred by the department in connection with any hearing conducted.

(3) Foreign credit union examination fees.

(A) If the commissioner schedules an examination of a foreign credit union, the credit union is subject to supplemental charges to cover the cost of time and expenses incurred in the examination.

(B) The foreign credit union shall pay a fee of \$100 for each hour of time expended by each examiner on the examination. The commissioner may waive the examination fee or reduce the fee as he deems appropriate.

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

(e) Contract Services. The commissioner may charge, or otherwise cause to be paid by, a credit union, a foreign credit union or related entities the actual cost incurred by the department for legal fees, adjudication fees and an examination or a review of all or part of the operations or applications of a credit union, a foreign credit union or related entity, that is performed under a contract entered into between the department and third parties. This includes fees paid to the Texas Attorney General's Office and State Office of Administrative Hearings.

## Isabel Velasquez

**From:** Suzanne Yashewski <syashewski@cornerstoneleague.coop>  
**Sent:** Monday, May 5, 2025 3:12 PM  
**To:** CUD Email; Karen L. Miller  
**Cc:** Jim Phelps; Caroline Willard  
**Subject:** Cornerstone League Comments on proposed amendments to 97.113  
**Attachments:** Cornerstone League Comments on 97.113.pdf

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To Whom it May Concern,

Attached, please find comments from the Cornerstone Credit Union League regarding proposed amendments to 7 TAC 97.113.

Sincerely,

Suzanne Yashewski



**Suzanne Yashewski**  
Regulatory & Compliance Counsel  
Cornerstone League



+1 512 853 8516 direct  
syashewski@cornerstoneleague.coop work  
6801 Parkwood Blvd. Suite 300  
Plano, TX 75024  
Cornerstone League website

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# CORNERSTONE LEAGUE

Uniting & Inspiring Credit Unions  
to Advance the Greater Good

May 5, 2025

Karen Miller, General Counsel  
Credit Union Department  
914 East Anderson Lane  
Austin, Texas 78752-1699

Sent Via Email to: [CUDMail@cud.texas.gov](mailto:CUDMail@ cud.texas.gov).

Dear Ms. Miller,

I am writing on behalf of the Cornerstone Credit Union League ["Cornerstone"]. Cornerstone presents nearly 600 state and federal credit unions in a 5-state region which includes Texas as well as Arkansas, Kansas, Missouri, and Oklahoma. In the state of Texas, we represent 334 credit unions, approximately 135 of which are Texas state chartered. Cornerstone appreciates the opportunity to comment on the proposed amendments to 7 TAC 97.113.

## *Proposed Amendments to 97.113, Fees and Charges*

In general, Cornerstone feels that the current rule has worked well to date. In addition to the detailed fee schedule, the rule grants the Commissioner the power to increase the fee schedule once each year as needed to match revenue with appropriations (any increase over 5% would require prior approval of the Commission). The operating fee has traditionally been assessed through two installments per year, with the second installment typically discounted for mid-year adjustments.

To my knowledge, we have yet to see a time when the current rule has not provided sufficient funds to cover department expenses. Therefore, Cornerstone questions the need to increase fees now.

Cornerstone believes the current rule provides sufficient flexibility for the department to collect an appropriate amount of operating fees in order to cover expenses. As a result, we oppose the aspects of the proposal that increase fees, including proposed increases to fees for supplemental or special examinations and foreign credit unions. Cornerstone also opposes adding a user-based fee schedule as unnecessary and potentially problematic. Creating a fee schedule that could fluctuate every year or two would add an element of unpredictability for credit unions, negatively impacting their capacity to serve their members and communities.



Regarding the proposed changes to “contract services” which would clarify that the costs for professional, dispute resolution, and legal fees can be passed on to any regulated credit union directly causing the expense, we urge the Commission to carefully reflect unintended consequences when considering whether or not to adopt such a change.

Although it may seem fairer upon first blush to other credit unions which are not involved in a particular challenge, Cornerstone is concerned about the potential chilling effects this provision could have on a credit union’s willingness to pursue legitimate appeals of department or Commission decisions. Footing the bill for the legal costs of both sides would be especially difficult for our smallest asset-size credit unions, essentially preventing them from raising challenges.

Perhaps the Commission could consider alternative approaches, such as an approach that would allocate the cost to the specific credit union involved solely when/if the credit union’s challenge is ultimately unsuccessful, or some other approach that would ensure small credit unions would be able to exercise challenges without undue economic burdens.

Cornerstone supports reorganizing the rule to combine the details of operating fees under the same subsection.

Sincerely,

Suzanne Yashewski  
Cornerstone Credit Union League  
(512) 853-8516  
[syashewski@cornerstoneleague.coop](mailto:syashewski@cornerstoneleague.coop)

**From:** Melodie Durst <mdurst@uhcu.org>  
**Sent:** Sunday, May 4, 2025 9:29 PM  
**To:** CUD Email  
**Subject:** Comments on Proposed Changes to 97.113 Fees and Charges

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Dear Credit Union Commission Members:

I am writing on behalf of the Credit Union Coalition of Texas to formally oppose the proposed regulatory change, §97.113 (f), User Fees, allowing the commissioner to implement a fee schedule to offset administrative costs related to processing complaints, applications, and other administrative functions. As an association representing credit unions across the state, we are deeply concerned about the long-term implications of the proposed new rule.

We have consistently supported and continue to advocate on behalf of the Texas Credit Union Department (Department). And while we understand the need for the Department to manage its administrative costs, we believe that implementing the proposed changes will ultimately lead to additional fees on credit unions. Texas credit unions operate on a not-for-profit basis, prioritizing the financial well-being of their members over profits. Introducing additional fees now or in the future could lead to increased costs for members, reducing their access to essential financial services.

Moreover, we believe that the current regulatory framework already provides sufficient resources for oversight and examination without the need for new authorities to assess additional user fees. Existing mechanisms allow the Department to fulfill its responsibilities effectively, and adopting new policies allowing for the imposition of new fees may contradict the governor's directive for state agencies to enhance efficiency and reduce costs.

Furthermore, this proposal raises concerns about transparency and accountability. Although the fee schedule is subject to approval by the commission and will be reviewed every two years, the potential for fluctuating fees may add an element of unpredictability for credit unions. This uncertainty could hinder their ability to plan and budget effectively, ultimately impacting their capacity to serve their communities.

We urge you to reconsider the implementation of this new policy and instead focus on utilizing the existing regulatory structure and budgeting process to achieve the intended outcomes.

Thank you for considering our concerns regarding this important issue. We hope to engage in a constructive dialogue to find a solution that supports both the regulatory needs of the Department and the vital role of credit unions in our communities.

Sincerely,

Melodie Durst  
Executive Director  
Credit Union Coalition of Texas  
P.O. Box 171089  
Austin, TX 78717  
512.435.4214

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## Isabel Velasquez

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**From:** Tim Miller <tim@coopteachers.com>  
**Sent:** Friday, May 2, 2025 10:16 AM  
**To:** CUD Email  
**Subject:** Comment Letter  
**Attachments:** 2025.05.02 Comment Letter.pdf

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Please see the attached letter.

Tim



### TIM MILLER

President & CEO

P 903.787.8199 F 903.561.9394

[coopteachers.com](http://coopteachers.com) 1424 WSW Loop 323 Tyler, TX 75701



DREAM. ACHIEVE. SUCCEED. TOGETHER.

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# COOPERATIVE TEACHERS CREDIT UNION

May 2, 2025

Karen Miller, General Counsel  
Credit Union Department  
914 E Anderson LN  
Austin TX 78752-1699

Via email: [cudmail@tud.texas.gov](mailto:cudmail@tud.texas.gov)

Subject: Comment on Proposed Amendments to 7 TAC §97.113 – Fees and Charges

Dear Ms. Miller,

Thank you for the opportunity to provide comments on the proposed amendments to 7 TAC §97.113, as published in the April 4, 2025, issue of the Texas Register. We appreciate the Department's ongoing effort to modernize its rules while ensuring a fair and transparent supervisory process.

We respectfully submit the following comments and concerns regarding the proposed provisions related to Contract Services (§97.113(e)) and Administrative Fees (§97.113(f)):

## **Contract Services (§97.113(e))**

While we understand the Department's intent to allocate third-party costs to the specific credit union that causes such expenses, we are concerned about the potential chilling effect this provision could have on a credit union's willingness to pursue legitimate appeals of Department or Commission decisions. Therefore, we recommend that the proposed changes to §97.113(e) be revised to address the concerns outlined below.

As drafted, the rule could be interpreted to allow the Department to impose legal, adjudicative, or examination-related costs even when a credit union is ultimately successful in its appeal. This raises concerns that the rule could be used—intentionally or not—as a mechanism to discourage credit unions from challenging agency actions or submitting applications. Regulatory oversight should never be enforced in a way that undermines a credit union's right to due process.

Importantly, we note that cost allocation in such disputes is already governed by existing law and administrative procedures in Rule §93.214 Recovery of Department Costs. As outlined in the rule, costs incurred in proceedings before the State Office of Administrative Hearings (SOAH) may be apportioned by the Administrative Law Judge (ALJ) in accordance with applicable law.

**Cooperative Teachers Credit Union**  
1424 WSW Loop 323, Tyler, TX 75701 • (903) 561-2603 • [coopteachers.com](http://coopteachers.com)

Any rule adopted by the Commission should explicitly preserve this adjudicative discretion and clarify that credit unions will not be responsible for costs in matters where they prevail. This rule should not preempt the discretion of the ALJ and must acknowledge that credit unions who substantially prevail should not be burdened with costs.

To preserve fairness and due process, we recommend the final rule:

- Include language clarifying that no costs will be assessed against a credit union that prevails in a contested case hearing.
- Recognize that cost allocation in administrative proceedings falls under the authority of the presiding ALJ in accordance with governing rules and statutes.
- Require the Department to develop and publish criteria outlining when and how such charges will be assessed, along with a process for disputing or appealing fee assessments.
- Require the Department to notify affected institutions in advance of any potential fee liability stemming from contract services.

#### **Administrative Fees (§97.113(f))**

We have serious concerns about the vague and potentially expansive scope of this provision. The rule allows for fees related to “processing complaints, applications, and other administrative functions,” but fails to define what constitutes an “administrative function.”

Additionally, many of the activities mentioned appear to be already encompassed within the annual operating fees that all credit unions currently pay. The introduction of a separate administrative fee, without specificity or limitations, creates uncertainty and the potential for double-charging for functions already funded.

We are also concerned about the possibility of credit unions being charged for the handling of complaints that are clearly without merit or factually incorrect. Credit unions have no control over whether a consumer files a complaint—regardless of its validity—and should not be penalized for frivolous or baseless allegations. This is particularly troubling in an environment where a single complaint can trigger multiple layers of review. For example, a single unsubstantiated complaint may trigger follow-up calls, internal investigations, and formal responses.

To address these concerns, we respectfully request the following:

- The term “administrative function” be clearly defined, with specific examples and exclusions.
- A provision clarifying that fees will not be assessed in connection with meritless or unsubstantiated complaints.
- A clear explanation of how these administrative activities differ from services already supported by the operating fee.
- A requirement that any proposed administrative fee schedule be subject to public comment, not just Commission approval.

In closing, while we share the Department's interest in fair cost recovery, it must not come at the expense of procedural fairness or institutional rights. It is critical that the rules do not create an environment where institutions are discouraged from asserting their rights or seeking recourse when they believe a decision is unjust. We appreciate the Department's consideration of our feedback and its continued partnership with the credit union community.

Sincerely,

/s/ Tim Miller

Tim Miller

President/CEO

## Isabel Velasquez

---

**From:** Gevon Calix <gcalix@fscu.com>  
**Sent:** Thursday, May 1, 2025 5:02 PM  
**To:** CUD Email  
**Cc:** syashewski@cornerstoneleague.coop  
**Subject:** FSCU Comments on Proposed Amendments to 97.113 & 91.101  
**Attachments:** FSCU Comments to Proposed Amendments 97.113 and 91.101.pdf

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Good afternoon,

First Service Credit Union's commentary on the proposed amendments to TAC §97.113 & §91.101 is attached.

Thank you for the opportunity to provide these comments. We look forward to the Department's thoughtful consideration.

Outstanding Regards,

**Gevon Calix**

*VP of Compliance & Corp Dev*

Direct: 713-676-4350



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May 1, 2025

Texas Credit Union Department  
Attn: Karen Miller, General Counsel  
914 East Anderson Lane  
Austin, TX 78752  
*Sent via electronic mail to CUDMail@tud.texas.gov*

Subject: Formal Comment on Proposed Amendments to 7 TAC, Part 6, Chapter 97, Subchapter B, Section 97.113 (Fees and Charges) and 7 TAC, Part 6, Chapter 91, Subchapter A, Section 91.101 (Definitions and Interpretations)

Dear Ms. Miller,

I am writing to provide formal comments in response to the proposed amendments to 7 TAC, Part 6, Chapter 97, Subchapter B, Section 97.113 (Fees and Charges) and to 7 TAC, Part 6, Chapter 91, Subchapter A, Section 91.101 (Definitions and Interpretations), as published in the Texas Register on April 4, 2025. Specifically, First Service Credit Union (FSCU) wishes to express strong and unequivocal concerns regarding the proposed amendments to the Department's ability to implement user-based fees as well as an increase in the amount of established fees.

**1. Comments on Proposed Amendments to Section 97.113 (Fees and Charges)**

While we understand the intent of the proposed amendments to provide greater transparency and consistency regarding fees and charges applied to credit unions, we would like to highlight the following comments, concerns and recommendations:

- a. **Organize the rule by grouping the types of fees authorized.** First Service Credit Union supports the proposed change to organize the rule to enhance clarity.
- b. **Clarify that the costs for professional, dispute resolution and legal fees can be passed on to any regulated Credit Union directly causing the expense.** First Service Credit Union strongly supports the clarification that fees related to professional services, dispute resolution, and legal costs can be passed on to the credit union directly

- responsible for incurring the expense. It is fundamentally unjust to burden credit unions with fees for situations over which they have no control.
- c. **Increase the hourly rates for special examinations from \$50.00 to \$100.00 per hour.** First Service Credit Union vehemently opposes the proposed 100 percent increase in the hourly rate for special examinations from \$50 to \$100 per hour. This increase is unsubstantiated and appears arbitrary at best. It is irresponsible to impose such a financial burden on credit unions, particularly those already struggling with financial difficulties. The fact that credit unions selected for these special examinations cannot avoid or opt out, makes this significant rate increase even more problematic. Given the current financial climate, a dramatic fee increase of this magnitude is not only unreasonable, but also financially irresponsible. The Texas Credit Union Department is urged to provide a detailed, evidence-based justification for the increase.
  - d. **Increase fees charged to foreign credit unions.** While First Service Credit Union has no direct interest in the increase of fees for foreign credit unions, the same concern applies here. The proposed 100 percent increase lacks any justification and requires transparency. The Texas Credit Union Department is urged to provide a detailed, evidence-based justification for the increase.
  - e. **Provide for the ability of the Commission to implement user-based fees in the future.** We firmly oppose the proposed introduction of user-based fees in the future. Texas-chartered credit unions already contribute significantly through an annual operating assessment fee based on total asset size. Rather than introducing additional fees, we strongly urge the Department to reevaluate the current operating fee structure, as recommended in the most recent Sunset Advisory Commission Report. Historically, the Department has assessed the annual operating fee in two installments per year, with the second installment typically discounted to account for mid-year adjustments in projected revenues and expenditures, as well as any unspent funds from the previous fiscal year. First Service Credit Union recommends the Department structure the assessment in a manner that fully supports operational and related expenses, thereby eliminating the need for both installment discounts and supplemental fees, such as user-based fees. There is no logical or justified reason to impose further fees on credit unions, especially when they are already contributing an excess amount through the annual operating assessment fee. Further, this proposed change fails to consider the financial strain on credit unions given the current economic environment of the industry.

## **2. Comments on Proposed Amendments to Section 91.101 (Definitions and Interpretations)**

The proposed amendments to Section 91.101 aim to refine the definitions and interpretations relevant to the operations of credit unions. Specifically, we have the following comments:

- a. **Define the term “political subdivision”.** First Service Credit Union supports the proposed change to clarify the definition of “political subdivision.” However, the Department must take extra care to ensure that definitions are consistent across all relevant sections of the Texas Administrative Code (TAC). Discrepancies in definitions between different sections could result in conflicting interpretations that confuse stakeholders and lead to unintended non-compliance.
- b. **Change the definition of Unifying Characteristics to include political subdivision instead of political jurisdiction.** First Service Credit Union supports the proposed change to provide clarity to the rule. Again, the Department must ensure that definitions across all relevant regulations are harmonized to avoid conflicting interpretations. Any discrepancies between definitions in different sections of the Texas Administrative Code (TAC) could lead to confusion and unintended non-compliance.
- c. **Renumber the definitions to reflect the additional definition.** First Service Credit Union supports the proposed change to provide organization and clarity to the rule.

In summary, while First Service Credit Union supports enhanced clarity and organization to the Texas Administrative Code, the Department is urged to reconsider these proposed amendments, which impose undue financial burdens on credit unions without adequate justification. The Department’s actions here risk harming the very institutions it seeks to regulate—institutions that are essential to the financial stability of Texas communities.

We expect a thorough review of these comments, and we strongly encourage the Department to make the necessary changes before moving forward with these amendments.

Thank you for the opportunity to provide these comments. We look forward to the Department’s thoughtful consideration of our comments and objections.

Sincerely,



Gevon Calix

VP of Compliance and Corporate Development  
First Service Credit Union

## **DEFINITIONS AND INTERPRETATIONS**

- F. (2) Adoption of Proposed Amendments to 7 TAC, Part 6, Chapter 91, Subchapter A, Section 91.101 (Definitions and Interpretations)

**BACKGROUND:** The Credit Union Commission (Commission) approved for publication amendments to 7 TAC §91.101 at the meeting on March 21, 2025, and they were published in the April 4, 2025, issue of the Texas Register (50 Tex. Reg. 2293 and 50 Tex. Reg. 2296).

**Comments:** One comment was received in support of all the changes to this section. No comments were received in opposition to the amendments.

**RECOMMENDED ACTION:** The Department requests that the Committee recommend the Commission approve and adopt the proposed amendments to 7 Tex. Admin Code § 91.101 as proposed without changes.

**RECOMMENDED MOTION:** : I move that the Committee recommend that the Commission approve and adopt take action to order adoption of amendments to Rule § 91.101.

The Credit Union Commission (the Commission) adopts the amendments to Texas Administrative Code, Title 7, Chapter 91, Subchapter A, §91.101, concerning definitions and interpretations, with changes to the adopted text as published in the April 4, 2025, issue of the *Texas Register*.

The amended rule amends definition of the term "Unifying Characteristics" and adds a definition for "Political Subdivision". The amendment renumbers subsequent definitions to accommodate the newly added definition.

The Commission received one written comment in support of the proposed amendments to the rule from Gevon Calix with First Service Credit Union.

The rule changes are adopted under Texas Finance Code, Section 15.402, which authorizes the Commission to adopt reasonable rules for administering Texas Finance Code, Title 2, Chapter 15 and Title 3, Subtitle D.

#### §91.101. Definitions and Interpretations.

(a) Words and terms used in this chapter that are defined in Finance Code §121.002, have the same meanings as defined in the Finance Code. The following words and terms, when used in this chapter, shall have the following meanings, unless the context clearly indicates otherwise.

(1) Act--the Texas Credit Union Act (Texas Finance Code, Subtitle D).

(2) Allowance for loan and lease losses (ALLL)--a general valuation allowance that has been established through charges against earnings to absorb losses on loans and lease financing receivables. An ALLL excludes the regular reserve and special reserves.

(3) Applicant--an individual or credit union that has submitted an application to the commissioner.

(4) Application--a written request filed by an applicant with the department seeking approval to engage in various credit union activities, transactions, and operations or to obtain other relief for which the commission is authorized by the act to issue a final decision or order subject to judicial review.

(5) Appraisal--a written statement independently and impartially prepared by a qualified appraiser setting forth an opinion as to the market value of a specifically described asset as of a specific date, supported by the presentation and analysis of relevant market information.

(6) Automated teller machine (ATM)--an automated, unstaffed credit union facility owned by or operated exclusively for the credit union at which deposits are received, cash dispensed, or money lent.

(7) Community of interest--a unifying factor among persons that by virtue of its existence, facilitates the successful organization of a new credit union or promotes economic viability of an existing credit union. The types of community of interest currently recognized are:

(A) Occupational--based on an employment relationship that may be established by:

(i) employment (or a long-term) contractual relationship equivalent to employment) by a single employer, affiliated employers or employers under common ownership with at least a 10% ownership interest;

(ii) employment or attendance at a school; or

(iii) employment in the same trade, industry or profession (TIP) with a close nexus and narrow commonality of interest, which is geographically limited.

(B) Associational--based on groups consisting primarily of natural persons whose members participate in activities developing common loyalties, mutual benefits, or mutual interests. In determining whether a group has an associational community of interest, the commissioner shall consider the totality of the circumstances, which include:

(i) whether the members pay dues;

(ii) whether the members participate in furtherance of the goals of the association;

(iii) whether the members have voting rights;

(iv) whether there is a membership list;

(v) whether the association sponsors activities;

(vi) what the association's membership eligibility requirements are; and

(vii) the frequency of meetings. Associations formed primarily to qualify for credit union membership and associations based on client or customer relationships, do not have a sufficient associational community of interest.

(C) Geographic--based on a clearly defined and specific geographic area where persons have common interests and/or interact. More than one credit union may share the same geographic community of interest. There are currently four types of affinity on which a geographic community of interest can be based: persons, who:

(i) live in;

(ii) worship in;

(iii) attend school in; or

(iv) work in that community. The geographic community of interest requirements are met if the area to be served is in a recognized single political subdivision, as defined in this rule.

(D) Other--The commissioner may authorize other types of community of interest, if the commissioner determines that either a credit union or foreign credit union has sufficiently demonstrated that a proposed factor creates an identifiable affinity among the persons within the proposed group. Such a factor shall be well-defined, have a geographic definition, and may not circumvent any limitation or restriction imposed on one of the other enumerated types.

(8) A credit union service organization (CUSO)--an organization authorized by §91.801 (relating to Investments in Credit Union Service Organizations). A consolidated CUSO is one where control or ownership by a credit union requires consolidation of the credit union and CUSO financial statements to comply with Generally Accepted Accounting Principles.

(9) Day--whenever periods of time are specified in this title in days, calendar days are intended. When the day, or the last day fixed by statute or under this title for taking any action falls on Saturday, Sunday, or a state holiday, the action may be taken on the next succeeding day which is not a Saturday, Sunday, or a state holiday.

(10) Department newsletter--the monthly publication that serves as an official notice of all applications, and by which procedures to protest applications are described.

(11) Field of membership (FOM)--refers to the totality of persons a credit union may accept as members. The FOM may consist of one group, several groups with a related community of interest, or several unrelated groups with each having its own community of interest.

(12) Finance Code or Texas Finance Code--the codification of the Texas statutes governing financial institutions, financial businesses, and related financial services, including the regulations and supervision of credit unions.

(13) Imminent danger of insolvency--a circumstance or condition in which a credit union is unable or lacks the means to meet its current obligations as they come due in the regular and ordinary course of business, even if the value of its assets exceeds its liabilities; or the credit union has a positive net worth ratio equal to two percent or less of its assets.

(14) Improved residential property--residential real estate containing on-site, offsite or other improvements sufficient to make the property ready for primarily residential construction, and real estate in the process of being improved by a building or buildings to be constructed or in the process of construction for primarily residential use.

(15) Interactive teller machine (ITM) -- a video-based interactive technology which allows members to conduct transactions and credit union services driven by a centrally based teller, in a real time video or audio interaction.

(16) Indirect financing--a program in which a credit union makes the credit decision in a transaction where the credit is extended by the vendor and assigned to the credit union or a loan transaction that generally involves substantial participation in and origination of the transaction by a vendor.

(17) Loan and extension of credit--a direct or indirect advance of funds to or on behalf of a member based on an obligation of the member to repay the funds or repayable from the application of the specific property pledged by or on behalf of the member. The terminology also includes the purchase of a member's loan or other obligation, a lease financing transaction, a credit sale, a line of credit or loan commitment under which the credit union is contractually obligated to advance funds to or on behalf of a member, an advance of funds to honor a check or share draft drawn on the credit union by a member, or any other indebtedness not classified as an investment security.

(18) Loan-to-value ratio--the aggregate amount of all sums borrowed and secured by the collateral, including outstanding balances plus any unfunded commitment or line of credit from another lender that is senior to the credit union's lien divided by the current value of the collateral.

(19) Manufactured home--a HUD-code manufactured home as defined by the Texas Manufactured Housing Standards Act. The terminology may also include a mobile home, house trailer, or similar recreational vehicle if the unit will be used as the member's residence and the loan is secured by a first lien on the unit, and the unit meets the requirements for the home mortgage interest deduction under the Internal Revenue Code (26 U.S.C. Section 163(a), (h)(2)(D)).

(20) Market Value--the most probable price which an asset should bring in a competitive and open market under an arm's-length sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of ownership from seller to buyer where:

(A) Buyer and seller are typically motivated;

(B) Both parties are well informed or well advised, and acting in their own best interests;

(C) A reasonable time is allowed for exposure in the open market;

(D) Payment is made in cash in U.S. dollars or in terms of financial arrangements comparable thereto; and

(E) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

(21) Metropolitan Statistical Area (MSA)--a geographic area as defined by the director of the U.S. Office of Management and Budget.

(22) Mobile office--a branch office that does not have a single, permanent site, including a vehicle that travels to various public locations to enable members to conduct their credit union business.

(23) Office--includes any service facility or place of business established by a credit union at which deposits are received, checks or share drafts paid, or money lent. This definition includes a credit union owned branch, a mobile branch, an office operated on a regularly scheduled weekly basis, a credit union owned ATM, or a credit union owned ITM or other electronic facility that meets, at a minimum, these requirements; however, it does not include the credit union's Internet website. This definition also includes a shared branch or a shared branch network if either:

(A) the credit union has an ownership interest in the service facility either directly or through a CUSO or similar organization; or

(B) the service facility is local to the credit union and the credit union is an authorized participant in the service center.

(24) Overlap--the situation which exists when a group of persons is eligible for membership in two or more state, foreign, or federal credit unions doing business in this state. Notwithstanding this provision, no overlap exists if eligibility for credit union membership results solely from a family relationship.

(25) Pecuniary interest--the opportunity, directly or indirectly, to make money on or share in any profit or benefit derived from a transaction.

(26) Person--an individual, partnership, corporation, association, government, governmental subdivision or agency, business trust, estate, trust, or any other public or private entity.

(27) Political Subdivision--a county, municipality, special district, school district, junior college district, housing authority, or other political subdivision of this state or any other state.

(28) Principal office--the home office of a credit union.

(29) Protestant--a credit union that opposes or objects to the relief requested by an applicant.

(30) Real estate or real property--an identified parcel or tract of land. The term includes improvements, easements, rights of way, undivided or future interest and similar rights in a tract of land, but does not include mineral rights, timber rights, growing crops, water rights and similar interests severable from the land when the transaction does not involve the associated parcel or tract of land.

(31) Remote service facility--an automated, unstaffed credit union facility owned or operated by, or operated for, the credit union, such as an automated teller machine, cash



dispensing machine, point-of-sale terminal, or other remote electronic facility, at which deposits are received, cash dispensed, or money lent.

(32) Reserves--allocations of retained earnings including regular and special reserves, except for any allowances for loan, lease or investment losses.

(33) Resident of this state--a person physically located in, living in or employed in the state of Texas.

(34) Respondent--a credit union or other person against whom a disciplinary proceeding is directed by the department.

(35) Secured credit--a loan made or extension of credit given upon an assignment of an interest in collateral pursuant to applicable state laws so as to make the enforcement or promise more certain than the mere personal obligation of the debtor or promisor. Any assignment may include an interest in personal property or real property or a combination thereof.

(36) Shared service center--a facility which is connected electronically with two or more credit unions so as to permit the facility, through personnel at the facility and the electronic connection, to provide a credit union member at the facility the same credit union services that the credit union member could lawfully obtain at the principal office of the member's credit union.

(37) TAC--an acronym for the Texas Administrative Code, a compilation of all state agency rules in Texas.

(38) Title or 7 TAC--Title 7, Part VI of the Texas Administrative Code Banking and Securities, which contains all of the department's rules.

(39) Underserved area--a geographic area, which could be described as one or more contiguous metropolitan statistical areas (MSA) or one or more contiguous political subdivisions, including counties, cities, and towns, that satisfy any one of the following criteria:

(A) A majority of the residents earn less than 80 percent of the average for all wage earners as established by the U. S. Bureau of Labor Statistics;

(B) The annual household income for a majority of the residents falls at or below 80 percent of the median household income for the State of Texas, or the nation, whichever is higher; or

(C) The commission makes a determination that the lack of available or adequate financial services has adversely affected economic development within the specified area.

(40) Uninsured membership share--funds paid into a credit union by a member that constitute uninsured capital under conditions established by the credit union and agreed to by the member including possible reduction under §122.105 of the act, risk of loss through operations, or other forfeiture. Such funds shall be considered an interest in the capital of the credit union upon liquidation, merger, or conversion.

(41) Unsecured credit--a loan or extension of credit based solely upon the general credit financial standing of the borrower. The term shall include loans or other extensions of credit supported by the signature of a co-maker, guarantor, or endorser.

(b) The same rules of construction that apply to interpretation of Texas statutes and codes, the definitions in the Act and in Government Code §2001.003, and the definitions in subsection (a) of this section govern the interpretation of this title. If any section of this title is found to conflict with an applicable and controlling provision of other state or federal law, the section involved shall be void to the extent of the conflict without affecting the validity of the rest of this title.

## Isabel Velasquez

---

**From:** Gevon Calix <gcalix@fscu.com>  
**Sent:** Thursday, May 1, 2025 5:02 PM  
**To:** CUD Email  
**Cc:** syashewski@cornerstoneleague.coop  
**Subject:** FSCU Comments on Proposed Amendments to 97.113 & 91.101  
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Outstanding Regards,

**Gevon Calix**  
*VP of Compliance & Corp Dev*

Direct: 713-676-4350



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May 1, 2025

Texas Credit Union Department  
Attn: Karen Miller, General Counsel  
914 East Anderson Lane  
Austin, TX 78752  
*Sent via electronic mail to CUDMail@tud.texas.gov*

Subject: Formal Comment on Proposed Amendments to 7 TAC, Part 6, Chapter 97, Subchapter B, Section 97.113 (Fees and Charges) and 7 TAC, Part 6, Chapter 91, Subchapter A, Section 91.101 (Definitions and Interpretations)

Dear Ms. Miller,

I am writing to provide formal comments in response to the proposed amendments to 7 TAC, Part 6, Chapter 97, Subchapter B, Section 97.113 (Fees and Charges) and to 7 TAC, Part 6, Chapter 91, Subchapter A, Section 91.101 (Definitions and Interpretations), as published in the Texas Register on April 4, 2025. Specifically, First Service Credit Union (FSCU) wishes to express strong and unequivocal concerns regarding the proposed amendments to the Department's ability to implement user-based fees as well as an increase in the amount of established fees.

**1. Comments on Proposed Amendments to Section 97.113 (Fees and Charges)**

While we understand the intent of the proposed amendments to provide greater transparency and consistency regarding fees and charges applied to credit unions, we would like to highlight the following comments, concerns and recommendations:

- a. **Organize the rule by grouping the types of fees authorized.** First Service Credit Union supports the proposed change to organize the rule to enhance clarity.
- b. **Clarify that the costs for professional, dispute resolution and legal fees can be passed on to any regulated Credit Union directly causing the expense.** First Service Credit Union strongly supports the clarification that fees related to professional services, dispute resolution, and legal costs can be passed on to the credit union directly

- responsible for incurring the expense. It is fundamentally unjust to burden credit unions with fees for situations over which they have no control.
- c. **Increase the hourly rates for special examinations from \$50.00 to \$100.00 per hour.** First Service Credit Union vehemently opposes the proposed 100 percent increase in the hourly rate for special examinations from \$50 to \$100 per hour. This increase is unsubstantiated and appears arbitrary at best. It is irresponsible to impose such a financial burden on credit unions, particularly those already struggling with financial difficulties. The fact that credit unions selected for these special examinations cannot avoid or opt out, makes this significant rate increase even more problematic. Given the current financial climate, a dramatic fee increase of this magnitude is not only unreasonable, but also financially irresponsible. The Texas Credit Union Department is urged to provide a detailed, evidence-based justification for the increase.
  - d. **Increase fees charged to foreign credit unions.** While First Service Credit Union has no direct interest in the increase of fees for foreign credit unions, the same concern applies here. The proposed 100 percent increase lacks any justification and requires transparency. The Texas Credit Union Department is urged to provide a detailed, evidence-based justification for the increase.
  - e. **Provide for the ability of the Commission to implement user-based fees in the future.** We firmly oppose the proposed introduction of user-based fees in the future. Texas-chartered credit unions already contribute significantly through an annual operating assessment fee based on total asset size. Rather than introducing additional fees, we strongly urge the Department to reevaluate the current operating fee structure, as recommended in the most recent Sunset Advisory Commission Report. Historically, the Department has assessed the annual operating fee in two installments per year, with the second installment typically discounted to account for mid-year adjustments in projected revenues and expenditures, as well as any unspent funds from the previous fiscal year. First Service Credit Union recommends the Department structure the assessment in a manner that fully supports operational and related expenses, thereby eliminating the need for both installment discounts and supplemental fees, such as user-based fees. There is no logical or justified reason to impose further fees on credit unions, especially when they are already contributing an excess amount through the annual operating assessment fee. Further, this proposed change fails to consider the financial strain on credit unions given the current economic environment of the industry.

## **2. Comments on Proposed Amendments to Section 91.101 (Definitions and Interpretations)**



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The proposed amendments to Section 91.101 aim to refine the definitions and interpretations relevant to the operations of credit unions. Specifically, we have the following comments:

- a. **Define the term "political subdivision".** First Service Credit Union supports the proposed change to clarify the definition of "political subdivision." However, the Department must take extra care to ensure that definitions are consistent across all relevant sections of the Texas Administrative Code (TAC). Discrepancies in definitions between different sections could result in conflicting interpretations that confuse stakeholders and lead to unintended non-compliance.
- b. **Change the definition of Unifying Characteristics to include political subdivision instead of political jurisdiction.** First Service Credit Union supports the proposed change to provide clarity to the rule. Again, the Department must ensure that definitions across all relevant regulations are harmonized to avoid conflicting interpretations. Any discrepancies between definitions in different sections of the Texas Administrative Code (TAC) could lead to confusion and unintended non-compliance.
- c. **Renumber the definitions to reflect the additional definition.** First Service Credit Union supports the proposed change to provide organization and clarity to the rule.

In summary, while First Service Credit Union supports enhanced clarity and organization to the Texas Administrative Code, the Department is urged to reconsider these proposed amendments, which impose undue financial burdens on credit unions without adequate justification. The Department's actions here risk harming the very institutions it seeks to regulate—institutions that are essential to the financial stability of Texas communities.

We expect a thorough review of these comments, and we strongly encourage the Department to make the necessary changes before moving forward with these amendments.

Thank you for the opportunity to provide these comments. We look forward to the Department's thoughtful consideration of our comments and objections.

Sincerely,

A handwritten signature in black ink, appearing to read "Gevon Calix", with a stylized, cursive script.

Gevon Calix

VP of Compliance and Corporate Development  
First Service Credit Union

## **MANDATORY RULE REVIEW**

- F. (3) Adoption of the Rule Review of 7 TAC, Part 6, Chapter 91, Subchapter A (General Provisions), Subchapter B (Organization Procedures), Subchapter J (Changes in Corporate Status), and Subchapter L (Submission of Comments by Interested Parties), and Readoption of Rules

**BACKGROUND:** Section 2001.039, Government Code, requires that a state agency review and consider for readoption each rule not later than the fourth anniversary of the date on which the rule took effect and every four years after that date. As provided in the noted section, the reviews must include, at a minimum, an assessment by the agency as to whether the reason for adopting the rule continues to exist. At its March 22, 2024, meeting, the Commission approved a plan which establishes a date for the required review for each of the affected rules. In accordance with that plan, staff has reviewed 7 TAC, Part 6, Chapter 91, Subchapter A, (General Provisions), Subchapter B (Organization Procedures), Subchapter J (Changes in Corporate Status), and Subchapter L (Submission of Comments by Interested Parties), Amendments to the noted chapters are being separately presented for proposal.

Notice of the review and a request for comments on the rules in this chapter was published in the June 20, 2025, issue of the *Texas Register*. No comments were received regarding the review. The Department believes that the reasons for adopting the noted rules continue to exist.

**RECOMMENDED ACTION:** The Department requests that the Committee recommend to the Commission to adopt the rule review as the reasons for these rules continue to exist.

**RECOMMENDED MOTION:** I move that the Committee recommend that the Commission find that the reasons for adopting 7 TAC, Part 6, Chapter 91, Subchapter A (General Provisions), Subchapter B (Organization Procedures), Subchapter J (Changes in Corporate Status), and Subchapter L (Submission of Comments by Interested Parties), and Readoption of rules continue to exist and that Commission readopt the rules in this chapter.

The Texas Credit Union Commission (Commission) has completed its review of 7 TAC, Part 6, Chapter 91, Subchapter A (General Provisions), Subchapter B (Organization Procedures), Subchapter J (Changes in Corporate Status), and Subchapter L (Submission of Comments by Interested Parties), and Readoption of Rules

These rules were reviewed as a result of the Department's quadrennial rule review under Texas Government Code Section 2001.039 and the Department's rule review plan approved at the March 22, 2024, Commission meeting.

Notice of the review of 7 TAC, Part 6, Chapter 91, Subchapter A (General Provisions), Subchapter B (Organization Procedures), Subchapter J (Changes in Corporate Status), and Subchapter L (Submission of Comments by Interested Parties) were published on June 20, 2025, issue of the *Texas Register* (50 Tex. Reg. 3649). The Department received no comments on the notice of intention to review.

After reviewing these rules, the Commission finds that the reasons for initially adopting these rules continue to exist, and readopts Chapter 91, Subchapters A, B, J, & L, §§91.101, 91.103, 91.104, 91.105, 91.110, 91.115, 91.120, 91.125, 91.201 to 91.214, 91.1003 to 91.1010 and 91.3001 to 91.3002, in their entirety in accordance with the requirements of Texas Government Code, Section 2001.039. However, the Commission has determined certain sections should be amended and will propose changes in a separate section of the *Texas Register*. This concludes the review of 7 TAC, Part 6, Chapter 91, Subchapters A, B, J, and L.

The Department hereby certifies that the proposal has been reviewed by legal counsel and found to be a valid exercise of the agency's legal authority.

## CHAPTER 91

### Subchapter A. General Rules

#### §91.101. Definitions and Interpretations.

(a) Words and terms used in this chapter that are defined in Finance Code §121.002, have the same meanings as defined in the Finance Code. The following words and terms, when used in this chapter, shall have the following meanings, unless the context clearly indicates otherwise.

(1) Act—the Texas Credit Union Act (Texas Finance Code, Subtitle D).

(2) Allowance for loan and lease losses (ALLL)—a general valuation allowance that has been established through charges against earnings to absorb losses on loans and lease financing receivables. An ALLL excludes the regular reserve and special reserves.

(3) Applicant—an individual or credit union that has submitted an application to the commissioner.

(4) Application—a written request filed by an applicant with the department seeking approval to engage in various credit union activities, transactions, and operations or to obtain other relief for which the commission is authorized by the act to issue a final decision or order subject to judicial review.

(5) Appraisal—a written statement independently and impartially prepared by a qualified appraiser setting forth an opinion as to the market value of a specifically described asset as of a specific date, supported by the presentation and analysis of relevant market information.

(6) Automated teller machine (ATM)—an automated, unstaffed credit union facility owned by or operated exclusively for the credit union at which deposits are received, cash dispensed, or money lent.

(7) Community of interest—a unifying factor among persons that by virtue of its existence, facilitates the successful organization of a new credit union or promotes economic viability of an existing credit union. The types of community of interest currently recognized are:

(A) Occupational—based on an employment relationship that may be established by:

(i) Employment (or a long-term) contractual relationship equivalent to employment) by a single employer, affiliated employers or employers under common ownership with at least a 10% ownership interest;

(ii) employment or attendance at a school; or

(iii) employment in the same trade, industry or profession (TIP) with a close nexus and narrow commonality of interest, which is geographically limited.

(B) Associational—based on groups consisting primarily of natural persons whose members participate in activities developing common loyalties, mutual benefits, or mutual interests. In determining whether a group has an associational community of interest, the commissioner shall consider the totality of the circumstances, which include:

(i) whether the members pay dues;

(ii) whether the members participate in furtherance of the goals of the association;

(iii) whether the members have voting rights;

(iv) whether there is a membership list;

(v) whether the association sponsors activities;

(vi) what the association's membership eligibility requirements are; and



(vii) the frequency of meetings.

Associations formed primarily to qualify for credit union membership and associations based on client or customer relationships, do not have a sufficient associational community of interest.

(C) Geographic—based on a clearly defined and specific geographic area where persons have common interests and/or interact. More than one credit union may share the same geographic community of interest. There are currently four types of affinity on which a geographic community of interest can be based: persons, who:

- (i) live in;
- (ii) worship in;
- (iii) attend school in; or
- (iv) work in that community.

The geographic community of interest requirements are met if the area to be served is in a recognized single political jurisdiction, e.g., a city or a county, or a portion thereof.

(D) Other—The commissioner may authorize other types of community of interest, if the commissioner determines that either a credit union or foreign credit union has sufficiently demonstrated that a proposed factor creates an identifiable affinity among the persons within the proposed group. Such a factor shall be well-defined, have a geographic definition, and may not circumvent any limitation or restriction imposed on one of the other enumerated types.

(8) A credit union service organization (CUSO)—an organization authorized by §91.801 (relating to Investments in Credit Union Service Organizations). A consolidated CUSO is one where control or ownership by a credit union requires consolidation of the credit union and CUSO financial statements to comply with Generally Accepted Accounting Principles.

(9) Day—whenever periods of time are specified in this title in days, calendar days are intended. When the day, or the last day fixed by statute or under this title for taking any action falls on Saturday, Sunday, or a state holiday, the action may be taken on the next succeeding day which is not a Saturday, Sunday, or a state holiday.

(10) Department newsletter—the monthly publication that serves as an official notice of all applications, and by which procedures to protest applications are described.

(11) Field of membership (FOM)—refers to the totality of persons a credit union may accept as members. The FOM may consist of one group, several groups with a related community of interest, or several unrelated groups with each having its own community of interest.

(12) Finance Code or Texas Finance Code—the codification of the Texas statutes governing financial institutions, financial businesses, and related financial services, including the regulations and supervision of credit unions.

(13) Imminent danger of insolvency—a circumstance or condition in which a credit union is unable or lacks the means to meet its current obligations as they come due in the regular and ordinary course of business, even if the value of its assets exceeds its liabilities; or the credit union has a positive net worth ratio equal to two percent or less of its assets.

(14) Improved residential property—residential real estate containing on-site, offsite or other improvements sufficient to make the property ready for primarily residential construction, and real estate in the process of being improved by a building or buildings to be constructed or in the process of construction for primarily residential use.

(15) Interactive teller machine (ITM) — a video-based interactive technology which allows members to conduct transactions and credit union services driven by a centrally based teller, in a real time video or audio interaction.

(16) Indirect financing—a program in which a credit union makes the credit decision in a transaction where the credit is extended by the vendor and assigned to the credit union or a loan

transaction that generally involves substantial participation in and origination of the transaction by a vendor.

(17) Loan and extension of credit—a direct or indirect advance of funds to or on behalf of a member based on an obligation of the member to repay the funds or repayable from the application of the specific property pledged by or on behalf of the member. The terminology also includes the purchase of a member's loan or other obligation, a lease financing transaction, a credit sale, a line of credit or loan commitment under which the credit union is contractually obligated to advance funds to or on behalf of a member, an advance of funds to honor a check or share draft drawn on the credit union by a member, or any other indebtedness not classified as an investment security.

(18) Loan-to-value ratio—the aggregate amount of all sums borrowed and secured by the collateral, including outstanding balances plus any unfunded commitment or line of credit from another lender that is senior to the credit union's lien divided by the current value of the collateral.

(19) Manufactured home—a HUD-code manufactured home as defined by the Texas Manufactured Housing Standards Act. The terminology may also include a mobile home, house trailer, or similar recreational vehicle if the unit will be used as the member's residence and the loan is secured by a first lien on the unit, and the unit meets the requirements for the home mortgage interest deduction under the Internal Revenue Code (26 U.S.C. Section 163(a), (h)(2)(D)).

(20) Market Value—the most probable price which an asset should bring in a competitive and open market under an arm's-length sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of ownership from seller to buyer where:

- (A) Buyer and seller are typically motivated;
- (B) Both parties are well informed or well advised, and acting in their own best interests;
- (C) A reasonable time is allowed for exposure in the open market;
- (D) Payment is made in cash in U.S. dollars or in terms of financial

arrangements comparable thereto; and

(E) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

(21) Metropolitan Statistical Area (MSA)—a geographic area as defined by the director of the U.S. Office of Management and Budget.

(22) Mobile office—a branch office that does not have a single, permanent site, including a vehicle that travels to various public locations to enable members to conduct their credit union business.

(23) Office—includes any service facility or place of business established by a credit union at which deposits are received, checks or share drafts paid, or money lent. This definition includes a credit union owned branch, a mobile branch, an office operated on a regularly scheduled weekly basis, a credit union owned ATM, or a credit union owned ITM or other electronic facility that meets, at a minimum, these requirements; however, it does not include the credit union's Internet website. This definition also includes a shared branch or a shared branch network if either:

(A) the credit union has an ownership interest in the service facility either directly or through a CUSO or similar organization; or

(B) the service facility is local to the credit union and the credit union is an authorized participant in the service center.

(24) Overlap—the situation which exists when a group of persons is eligible for membership in two or more state, foreign, or federal credit unions doing business in this state. Notwithstanding this provision, no overlap exists if eligibility for credit union membership results solely from a family relationship.

(25) Pecuniary interest —the opportunity, directly or indirectly, to make money on or share in any profit or benefit derived from a transaction.

(26) Person—an individual, partnership, corporation, association, government, governmental subdivision or agency, business trust, estate, trust, or any other public or private entity.

(27) Principal office—the home office of a credit union.

(28) Protestant—a credit union that opposes or objects to the relief requested by an applicant.

(29) Real estate or real property—an identified parcel or tract of land. The term includes improvements, easements, rights of way, undivided or future interest and similar rights in a tract of land, but does not include mineral rights, timber rights, growing crops, water rights and similar interests severable from the land when the transaction does not involve the associated parcel or tract of land.

(30) Remote service facility—an automated, unstaffed credit union facility owned or operated by, or operated for, the credit union, such as an automated teller machine, cash dispensing machine, point-of-sale terminal, or other remote electronic facility, at which deposits are received, cash dispensed, or money lent.

(31) Reserves—allocations of retained earnings including regular and special reserves, except for any allowances for loan, lease or investment losses.

(32) Resident of this state—a person physically located in, living in or employed in the state of Texas.

(33) Respondent—a credit union or other person against whom a disciplinary proceeding is directed by the department.

(34) Secured credit—a loan made or extension of credit given upon an assignment of an interest in collateral pursuant to applicable state laws so as to make the enforcement or promise more certain than the mere personal obligation of the debtor or promisor. Any assignment may

include an interest in personal property or real property or a combination thereof.

(35) Shared service center—a facility which is connected electronically with two or more credit unions so as to permit the facility, through personnel at the facility and the electronic connection, to provide a credit union member at the facility the same credit union services that the credit union member could lawfully obtain at the principal office of the member's credit union.

(36) TAC—an acronym for the Texas Administrative Code, a compilation of all state agency rules in Texas.

(37) Title or 7 TAC—Title 7, Part VI of the Texas Administrative Code Banking and Securities, which contains all of the department's rules.

(38) Underserved area—a geographic area, which could be described as one or more contiguous metropolitan statistical areas (MSA) or one or more contiguous political subdivisions, including counties, cities, and towns, that satisfy any one of the following criteria:

(A) A majority of the residents earn less than 80 percent of the average for all wage earners as established by the U. S. Bureau of Labor Statistics;

(B) The annual household income for a majority of the residents falls at or below 80 percent of the median household income for the State of Texas, or the nation, whichever is higher; or

(C) The commission makes a determination that the lack of available or adequate financial services has adversely affected economic development within the specified area.

(39) Uninsured membership share—funds paid into a credit union by a member that constitute uninsured capital under conditions established by the credit union and agreed to by the member including possible reduction under §122.105 of the act, risk of loss through operations, or other forfeiture. Such funds shall be considered an interest in the capital of the credit union upon liquidation, merger, or conversion.

(40) Unsecured credit—a loan or extension of credit based solely upon the general credit financial standing of the borrower. The term shall include loans or other extensions of credit supported by the signature of a co-maker, guarantor, or endorser.

(b) The same rules of construction that apply to interpretation of Texas statutes and codes, the definitions in the Act and in Government Code §2001.003, and the definitions in subsection (a) of this section govern the interpretation of this title. If any section of this title is found to conflict with an applicable and controlling provision of other state or federal law, the section involved shall be void to the extent of the conflict without affecting the validity of the rest of this title.

### **§91.103. Public Notice of Department Decisions.**

The commissioner shall cause notice of final actions taken by the department on certain activities to be published in the *Texas Register* and the department newsletter. Notice shall be published in both publications within 30 days of the action becoming final. The activities covered by this requirement are:

- (1) an application for incorporation under Texas Finance Code §122.001;
  - (2) a request for an amendment to a credit union's articles of incorporation under Texas Finance Code §122.011;
  - (3) a request for an amendment to a credit union's bylaws for the expansion of its field of membership under Texas Finance Code §122.011;
  - (4) an application for merger or consolidation under Texas Finance Code §122.152;
  - (5) a request by a foreign credit union to do business in Texas under Texas Finance Code §122.013; and
  - (6) an application for conversion of a credit union's certificate of incorporation under
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Texas Finance Code §§122.201, 122.202, 122.203, or 91.1007 of this chapter (relating to conversion to a Mutual Savings Institution).

**§91.104. Public Notice and Comment on Certain Applications.**

(a) Upon receipt of a complete application for authorization to be granted by the department, the commissioner shall cause notice of such application to be published in the *Texas Register* and the department newsletter. Notice shall be published in both publications at least 30 days prior to taking action on the request. The activities covered by this requirement are:

- (1) an application for incorporation under Texas Finance Code §122.001;
- (2) a request for an amendment to a credit union's articles of incorporation under Texas Finance Code §122.011;
- (3) a request for an amendment to a credit union's bylaws for an expansion of its field of membership under Texas Finance Code §122.011;
- (4) an application for merger or consolidation under Texas Finance Code §122.152;
- (5) an application for conversion of a credit union's certificate of incorporation under Section 91.1007 of this chapter (relating to conversion to a mutual savings institution); and
- (6) a request by a foreign credit union to do business in Texas under Texas Finance Code §122.013.

(b) The commissioner may waive or delay notice of applications under subsection (a) of this section when a waiver or delay is in the public interest. The commissioner shall consider the welfare and stability of the affected credit union(s) in determining the public interest. If the commissioner determines that delaying public notice is in the public interest, the notice of application shall be published in each publication at the earliest feasible time.

### **§91.105. Acceptance of Other Application Forms.**

Notwithstanding other requirements of this chapter, if another state or federal regulator's application and forms provide all the information required by Texas law, the commissioner may accept those forms. This does not limit the commissioner's power to require additional information necessary to complete an application or other form.

### **§91.110. Protest Procedures for Applications.**

A protestant to an application for authorization to be granted by the commissioner must file a written notice of protest, in such form as the commissioner may prescribe, within 30 days of the date that notice of the application is published in either the Texas Register or the department newsletter, whichever is later. The notice of protest must provide all information that the protestant wishes the commissioner to consider in evaluating the application.

### **§91.115. Safety at Unmanned Teller Machines.**

(a) Definitions. Words and terms used in this subchapter that are defined in the Finance Code §59.301, have the same meanings as defined in the Finance Code.

(b) Measurement of candle foot power. For the purposes of measuring compliance with the Finance Code §59.307, candle foot power should be determined under normal, dry weather conditions, without complicating factors such as fog, rain, snow, sand, or dust storm, or other similar condition.

(c) Safety evaluations.

(1) The credit union owner or operator of an unmanned teller machine shall evaluate the safety of each machine on a basis no less frequently than annually, unless the machine is exempted under the Finance Code §59.302.

(2) The safety evaluation shall consider at the least the factors identified in the Finance Code, §59.308.

(3) The credit union owner or operator of the unmanned teller machine may provide the landlord or owner of the property with a copy of the safety evaluation if an access area or defined parking area for an unmanned teller machine is not controlled by the credit union owner or operator of the machine.

(d) Notice. A credit union issuer of access devices shall furnish its members with a notice of basic safety precautions that each member should employ while using an unmanned teller machine. The notice must be personally delivered or sent to each member whose mailing address is in this state, according to records for the account to which the access device relates, and may be included with other disclosures related to the access device, including an initial or periodic disclosure statement furnished under the Electronic Fund Transfer Act (15 U.S.C. §1693 et seq.). The notice may be delivered electronically if permissible under Business & Commerce Code, §322.008.

(1) When notice is required. The credit union issuer must furnish the notice to its member whenever an access device is issued or renewed. If the credit union furnishes an access device to more than one member on the same account, the credit union is not required to furnish the notice to more than one of the members.

(2) Content of notice. The notice of basic safety precautions required by this subsection may include recommendations or advice regarding:

- (A) security at walk-up or drive-up unmanned teller machines;
- (B) protection of the member's code or personal identification numbers;
- (C) procedures for reporting a lost or stolen access device;

(D) reaction to suspicious circumstances;

(E) safekeeping and secure disposition of unmanned teller machine receipts, such as the inadvisability of leaving an unmanned teller machine receipt near the unmanned teller machine;

(F) the inadvisability of surrendering information about the member's access device over the telephone or the Internet, unless to a trusted merchant in a call or transaction initiated by the member;

(G) safeguarding and protecting the member's access device, such as a recommendation that the member treat the access device as if it was cash;

(H) protection against unmanned teller machine fraud, such as a recommendation that the member promptly review the member's monthly statement and compare unmanned teller machine receipts against the statement; and

(e) other recommendations that the credit union reasonably believes are appropriate to facilitate the security of its unmanned teller machine users.

(f) Leased premises.

(1) Noncompliance by landlord. Pursuant to the Finance Code, §59.306, the landlord or owner of property is required to comply with the safety procedures of the Finance Code, Chapter 59, Subchapter D, if an access area or defined parking area for an unmanned teller machine is not controlled by the owner or operator of the unmanned teller machine. If a credit union owner or operator of an unmanned teller machine on leased premises is unable to obtain compliance with safety procedures from the landlord or owner of the property, the credit union shall notify the landlord in writing of the requirements of the Finance Code, Chapter 59, Subchapter D, and of those provisions for which the landlord is in noncompliance.

(2) Enforcement. Noncompliance with safety procedures required by the Finance Code, Chapter 59, Subchapter D, by a landlord or owner of property after receipt of written notification from the owner or operator constitutes a violation of the Finance Code, Chapter 59, Subchapter D, which may be enforced by the Texas Attorney General.

(g) Video surveillance equipment. Video surveillance equipment is not required to be installed at all unmanned teller machines. The credit union owner or operator must determine whether video surveillance or unconnected video surveillance equipment should be installed at a particular unmanned teller machine site, based on the safety evaluation required under the Finance Code, §59.308. If a credit union owner or operator determines that video surveillance equipment should be installed, the credit union must provide for selecting, testing, operating, and maintaining appropriate equipment.

### **§91.120. Posting of Notice Regarding Certain Loan Agreements.**

- (a) As required by the Business and Commerce Code §26.02, all credit unions are required to conspicuously post notices informing members of the requirements that certain loan agreements must be in writing. The notice must include the language and be in the format prescribed by the Finance Commission of Texas in §3.34 of this title (relating to Posting of Notice in All Financial Institutions).
- (b) Each credit union shall post the notice required by subsection (a) in the lobby of each of its offices other than off-premises electronic deposit facilities.

### **§91.121. Complaint Notices and Procedures.**

- (a) **Purpose.** This section implements Finance Code §15.408, which requires the Department to maintain a system to promptly and efficiently act on each complaint filed with the Department.

- (b) **Required Notice.**

(1) Credit unions must provide their members with a notice that substantially conforms to the language and form of the following notice in order to let its members know how to file complaints:

“If you have a problem with the services provided by this credit union, please contact us at:

(Your Name) Credit Union

Mailing Address

Telephone Number or e-mail address.

The credit union is incorporated under the laws of the State of Texas and under state law is subject to regulatory oversight by the Texas Credit Union Department. If any dispute is not resolved to your satisfaction, you may also file a complaint against the credit union by contacting the Texas Credit Union Department through one of the means indicated below: In Person or U.S. Mail: 914 East Anderson Lane, Austin, Texas 78752-1699, Telephone Number: (512) 837-9236, Facsimile Number: (512) 832-0278; email: [complaints@cud.texas.gov](mailto:complaints@ cud.texas.gov), Website: [www.cud.texas.gov](http://www.cud.texas.gov).”

(2) The title of this notice shall be “COMPLAINT NOTICE” and must be in all capital letters and boldface type.

(3) The credit union must provide the notice as follows:

(A) In each area where a credit union typically conducts business on a face-to-face basis, the required notice must be conspicuously posted. A notice is deemed to be conspicuously posted if a member with 20/20 vision can read it from the place where he or she would typically conduct business or if it is included in plain view on a bulletin board on which required communications to the membership (such as equal housing posters) are posted.

(B) If a credit union maintains a website, the required notice or a link to the required notice must be conspicuously posted on the homepage of the website.

(C) If a credit union distributes a newsletter, it must include the notice on approximately the same date at least once each year in any newsletter distributed to its members.

(D) If a credit union does not distribute a newsletter, the notice must be included with any privacy notice the credit union is required to provide or send its members.

- (c) **Filing, Receipt, and Handling of Complaints.**

(1) The Department shall make available, on its public website ([www.cud.texas.gov](http://www.cud.texas.gov)) and at its office, information on how to file a complaint.

(2) A person who alleges that a credit union has committed an act or failed to perform an act that may constitute a violation of the Texas Credit Union Act or Department rules may file a complaint in writing with the Department. The complainant may complete and submit to the Department the complaint form the Department maintains at the Department’s office and on its public website, or the complainant may submit a complaint in a letter that addresses the matters covered by



the complaint form. At a minimum, all complaints should contain information necessary for the proper processing of the complaint by the Department, including, but not limited to:

- (A) complainant's name and how the complainant may be contacted;
- (B) name and address of the credit union against whom the complaint is made;
- (C) a brief statement of the nature of the complaint and relevant facts, including names of persons with knowledge, times, dates, and location; and

(D) Copies of any documents or records related to the complaint (original records should not be sent with a complaint).

(3) Anonymous complaints may be accepted by the Department, but the lack of a witness or the inability of the Department to secure additional information from the anonymous complainant may result in the Department's inability to secure sufficient evidence to pursue action against a credit union.

(4) The Department will review all complaints to determine whether they are within the Department's jurisdiction or authority to resolve and will send an acknowledgement letter to the complainant within five (5) business days of receipt of a complaint. At least quarterly until final disposition of the complaint, the Department shall provide status updates to the complainant and respondent credit union, orally or in writing, unless the notice would jeopardize an investigation.

(5) Upon determining that a complaint is within the Department's jurisdiction, the Department will inform the credit union respondent of the complaint and will request a written response from the credit union. Along with a request for response, the Department will transmit to the credit union a copy of the complaint and any attachments. Within fifteen (15) days from the date of the request for response, unless the period is extended by the Department, the credit union shall provide a substantive response and set forth the credit union's position with respect to the allegations in the complaint, which shall include all data, information and documentation supporting its position, or a description of corrective measures taken or intended to be taken. The Department may request, and the complainant and respondent shall provide, additional information or further explanation at any time during the review of the complaint.

(6) Once the Department has received the documentation from both parties, the Department will review the information and will process the complaint in accordance with the rules of the Department. The Department will advise both parties in writing of the final disposition of the complaint.

(7) The Department shall maintain a file on each complaint filed with the agency. The file shall include:

- (A) the complainant's name and relationship to the institution;
- (B) the date the complaint is received and resolved or closed by the Department;
- (C) the basis of the complaint;
- (D) a summary of the results of the review of the complaint including issuance of any enforcement action; and
- (E) an explanation of the reason the file was closed, if the Department closed the file without taking action other than to review the complaint.

(8) The Department will maintain a database of complaints in order to identify trends or issues related to violations of state laws under the Department's jurisdiction.

(d) **Complaints Closed with No Action Beyond Review.** Certain complaints and disputes may be closed with no action taken other than to review the complaint. Such complaints may include those that are not within the Department authority to investigate or adjudicate, and which may be referred to as non-jurisdictional complaints. The Department, for example, will not address complaints concerning contractual matters or internal credit union practices that are not governed by the statutes or rules that the Department implements or enforces. The Department also may close without taking action other types of complaints, including undocumented factual disputes between a person and a credit union and complaints involving matters that are the subject of a pending lawsuit. The Department does not offer legal assistance and cannot represent individuals in settling claims or recovering damages. The Department does not own, operate, or control credit unions, and the Department does not establish their operating policies and procedures. Therefore, the Department may close without taking action complaints concerning the range of services a credit union offers, complaints about bad customer service, and disagreements over specific credit union policies, practices, or procedures, or about other matters that are not governed by a law or rule under the Department's jurisdiction. The Department will inform the complainant and respondent credit union when a complaint is closed with no action taken and will inform them of the reason for closing the case.

(e) **Privacy.** The information collected from complainants and respondents is solicited to provide the Department with information that is necessary and useful in reviewing complaints received from persons regarding their interactions with a credit union. A complainant is not required to give the Department any information; however, without such information, the Department's ability to complete a review, to investigate, or to prosecute a matter may be hindered. It is intended that the information a person provides to the Department will be used within the Department and for the purpose of investigating and prosecuting a complaint. A person should not include personal or confidential information such as social security, credit card, or account numbers, or dates of birth when corresponding with the Department. If it is necessary to supply a document that contains personal or confidential information, the information should be redacted before the document is submitted to the Department.

(f) The Department will annually produce a statistical analysis of complaints processed and related enforcement actions for the preceding fiscal year which must include at a minimum:

- (1) total complaints filed, closed and outstanding;
- (2) resolved complaints aggregated by source, basis of complaint, disposition, jurisdictional vs. non-jurisdiction, regulatory vs. non-regulatory penalties or fees assessed and the average number of days to resolve.

#### **§91.125. Accuracy of Advertising.**

(a) As used in this rule, an advertisement is any informational communication, including oral, written, electronic, broadcast or any other type of communication, made to members, prospective members, or to the public at large in any manner designed to attract attention to the business of a credit union.

(b) No credit union shall disseminate or cause the dissemination of any advertisement that is in any way intentionally or negligently false, deceptive, or misleading. An advertisement shall be deemed by the Commissioner to be intentionally or negligently false, deceptive, or misleading if it:

- (1) contains materially false claims or misrepresentations of material facts;
- (2) contains materially implied false claims or implied misrepresentations of material fact;
- (3) omits material facts;
- (4) makes a representation likely to create an unjustified expectation about credit union products or services;

(5) states that the credit union's services are superior to or of a higher quality than that of another financial institution unless the credit union can factually substantiate the statement;

(6) states that a service is free when it is not, or contains intentionally untruthful or deceptive claims regarding costs and fees; and

(7) fails to disclose that membership is required to participate in or enjoy the advantage of the product or service (does not apply to advertisement to current members).

(c) Prior to placing an advertisement, a credit union must possess credible information which, when produced, substantiates the truthfulness of any assertion, representation or omission of material fact set forth in the advertisement.

(d) If the Commissioner notifies a credit union that an advertisement is deemed to be false, deceptive or misleading, the credit union will have ten days following the credit union's receipt of the notification to provide the Commissioner with information substantiating the truthfulness of the advertisement. If the credit union does not provide this information or the Commissioner, after receipt of the information, still deems the advertisement to be false, deceptive or misleading, the Commissioner may issue a cease and desist order to the credit union to stop the use of the advertisement.

## **Subchapter B. Organization Procedures**

### **§91.201. Incorporation Procedures.**

- (a) An application to incorporate a credit union shall be in writing and supported by such information and data as the commissioner may require to make the findings necessary for the issuance of a certificate of incorporation.
- (b) Business Plan. The application must include a business plan that covers three years and provides detailed explanations of actions that are proposed to accomplish the primary functions of the credit union. The description should provide enough detail to demonstrate that the institution has a reasonable chance for success, will operate in a safe and sound manner, and will maintain adequate capital to support its operations. Specifically the plan must:
  - (1) Describe the credit union's business, including the products, member services, and other activities;
  - (2) Provide quarterly pro forma financial information for the three years of operation, including annual totals for the Income Statement;
  - (3) Describe in detail all of the assumptions used to prepare the projected financial information;
  - (4) Discuss the capital goals and the means to achieve them;
  - (5) Discuss the overall marketing/advertising strategy to reach potential members;
  - (6) Discuss the credit union's strategy for obtaining required share and deposit insurance protection for its members' accounts; and
  - (7) Describe the economic forecast for the three years of the plan.
- (c) The commissioner shall determine whether or not an application is complete within thirty days of its receipt and provide written notice of the determination. If the application is deemed incomplete, the notice shall provide with reasonable specificity the deficiencies in the application.
- (d) Upon the determination that an application is complete, the commissioner shall make or cause to be made an investigation and examination of the facts concerning the applicant. It is essential that the investigation and examination confirm to the satisfaction of the commissioner that the proposed institution will have a reasonable opportunity to succeed.
- (e) Proposed credit unions must investigate the possibility of an overlap with existing state or federal credit unions doing business in this state prior to submitting an application. When an overlap situation does arise, officials of the involved entities must attempt to resolve the overlap issue. Typically, an overlap will not be considered adverse to the overlapped credit union if:
  - (1) the group has fewer than 3000 primary potential members or the overlap is otherwise incidental in nature;
  - (2) the overlapped credit union does not object to the overlap;
  - (3) there is limited participation by members or employees of the group in the original credit union after the expiration of a reasonable period of time; or
  - (4) a single occupational or associational based credit union overlaps a community chartered credit union.
- (f) When the applicant and a credit union agree and/or the commissioner has determined that overlap protection is appropriate, an exclusionary clause will be included in the proposed field of membership for a period of 24 months from the date the proposed credit union commences business. The commissioner, for good cause shown, may extend this period for an additional 24 months.
- (g) The commissioner may approve the application conditioned upon specific requirements being met, but the certificate of incorporation shall not be issued unless such conditions have been

met within the time specified in the approval order or any extension as set forth in Finance Code §122.006.

**§91.202. Bylaw and Articles of Incorporation Amendments.**

- (a) The Standard Bylaws for State Chartered Credit Unions ("Standard Bylaws"), approved by the commission on February 20, 2004, or as subsequently revised or amended, constitute the bylaws which shall be used by credit union incorporators.
- (b) The commissioner is expressly authorized to approve deviations from and amendments to the standard bylaws, unless the deviation or amendment violates applicable law.
- (c) Credit unions desiring to amend articles of incorporation or bylaws must submit a written application, in such form as the commissioner may prescribe. The application shall include the text of the amendment, the date that the board of directors adopted the amendment, a brief statement explaining the purpose of the amendment, information regarding the financial impact on the credit union if the amendment is approved, and any other information the commissioner may require to make a decision on the amendment.
- (d) The commissioner shall determine whether or not an application is complete within thirty day of its receipt and provide written notice of the determination. If the application is deemed incomplete, the notice shall provide with reasonable specificity the deficiencies in the application.
- (e) The commissioner does not need to provide notice as prescribed in §91.103 (relating to Public Notice of Department Decisions and §91.104 (relating to Public Notice and Comment on Certain Applications) for applications that apply for standard optional field of membership provisions (1), (2), (3), and (4) as contained in the Standard Bylaws "Appendix A".
- (f) A credit union's board of directors may amend its bylaws to adopt any standard bylaw without approval by the commissioner provided: (1) the wording of the amendment is identical to the Standard Bylaws; and (2) the credit union submits a completed, fully executed Certification of Resolution of Amendment to Credit Union Bylaws ("Certification") to the commissioner. The commissioner will promptly acknowledge receipt of the Certification. The amendment will be effective as of the date the commissioner acknowledges receipt of the Certification.

**§91.203. Share and Deposit Insurance Requirements.**

- (a) All credit unions in the State of Texas shall obtain share insurance protection as provided in Chapter 95 of this title (pertaining to Share and Depositor Insurance Protection).

(b) With the approval of the commissioner, and if recognized by its insuring organization, a credit union may, from time to time as determined by its board of directors, issue uninsured membership shares which are subordinate to all other claims, including creditors, shareholders, and the insuring organization. The commissioner may approve the issuance of such accounts conditioned upon specific requirements being met.

#### **§91.205. Credit Union Name.**

(a) Unless a name change or assumed name has been approved by the commissioner in accordance with the Act and these rules, a credit union shall do business under the name in which its certificate of incorporation was issued.

(b) Subject to the requirements of this rule, a credit union may adopt an assumed name. The credit union's official name, however, must be used in all official or legal communications or documents, which includes account and membership agreements, loan contracts, title documents (except for vehicle titles, which may also be under the credit union's assumed name), account statements, checks, drafts, and correspondence with the Department or the National Credit Union Administration. The assumed name may also be used in those materials so long as it is identified as such (e.g. Generic Credit Union dba GCU). Further, a credit union using an assumed name shall clearly disclose the credit union's official name when the assumed name is used on any signs, advertising, mailings, or similar materials.

(c) A credit union shall not use any name other than its official name until it has received a certificate of authority to use an assumed business name from the commissioner and has registered the designation with the Secretary of State and the appropriate county clerk.

(d) The commissioner shall not issue a certificate of authority to use an assumed business name if the designation might confuse or mislead the public, or if it is not readily distinguishable from, or is deceptively similar to, a name of another credit union lawfully doing business with an office in this state.

(e) Credit union officials are responsible for complying with state and federal law applicable to corporate and assumed names. The Department does not have the power to determine or settle competing claims to a name under other statutes or under common law. Even though the Department may have issued a certificate of authority (based on the above criteria), a credit union could still be infringing on the naming rights of other parties. In particular, if the name a credit union selects is similar to a name already protected by state or federal trademark, a credit union could be forced to stop using the name. This can also be the case if another entity is already using a similar name in a related field, even if the entity does not own a state or federal registration.

(f) Before using an assumed name, a credit union shall take reasonable steps to ensure that use of the name will not cause a reasonable person to believe the credit union's different facilities are different credit unions or to believe that shares or deposits in one facility are separately insured from those of another of its facilities.

## **§91.206. Underserved Area Credit Unions – Secondary Capital Accounts.**

A credit union that has been approved for a designation as a Underserved Area Credit Union pursuant to Section 122.014, Finance Code may issue secondary capital accounts to members or nonmembers of the credit union on the following conditions:

(1) Prior to offering secondary capital accounts, the credit union shall file an application for approval with the commissioner. The application shall be supported by a written plan for use of the funds in the secondary capital accounts and subsequent liquidity needs to meet repayment requirements upon maturity of the accounts, along with such other information and data as the commissioner may require.

(2) The secondary capital account must be established as an uninsured secondary capital account or other form of non-share account, and shall not be insured by the National Credit Union Share Insurance Fund or any governmental or private entity.

(3) The secondary capital account must mature no earlier than five years.

(4) The secondary capital account shall not be redeemable prior to maturity.

(5) The secondary capital account holder's claim against the credit union must be subordinated to all other claims, including those of shareholders, creditors and the credit union's insuring organization.

(6) Funds deposited into the secondary capital account, including interest accrued and paid into the capital account, must be available to cover the credit union's realized operating losses that exceed its net available reserves and undivided earnings (i.e., reserves and undivided earnings exclusive of allowance accounts for loan losses), and to the extent funds are so used, the credit union shall not restore or replenish the account. The credit union may, in lieu of paying interest into the secondary capital account, pay interest accrued on the secondary capital account directly to the secondary capital account holder or into a separate account from which the secondary capital account holder may make withdrawals. Losses realized shall be distributed pro-rata among all secondary capital accounts held by the credit union at the time the losses are realized.

(7) The secondary capital account may not be pledged or provided by the account holder as security on a loan or other obligation with the credit union or any other party.

(8) In the event of merger or other voluntary dissolution of the credit union, other than merger into another Underserved Area designated credit union, the secondary capital accounts will, to the extent they are not needed to cover losses at the time of merger or dissolution, be closed and paid out to the account holder.

(9) A secondary capital account contract agreement must be executed by an authorized representative of the account holder and the credit union. The agreement must set forth all of the terms and conditions of this section and contains a disclosure and acknowledgement by the account holder that the secondary capital account is not redeemable, will not be insured, may be used to cover operating losses of the credit union and not be replaced or replenished, and is subordinate to all other claims on the assets of the credit union, including claims of member shareholders, creditors and the credit union's insuring organization. All such contract agreements must be retained by the credit union for the term of the agreement.

(10) In the event the credit union is classified as "critically under capitalized", "marginally capitalized", "minimally capitalized", "moderately capitalized" or "uncapitalized", or the credit union has failed to undertake any mandatory supervisory action, the commissioner or any entity insuring the accounts of the credit union, may prohibit payment of principal, dividends or interest on the credit union's secondary capital accounts in accordance with powers and procedures granted under state or federal laws, as applicable. Any such unpaid dividends or interest shall continue to accrue under the terms of the account to the extent permitted by law.

(11) Credit unions with secondary capital accounts shall record the funds on its balance sheet in an equity account entitled "uninsured secondary capital accounts". The capital value of the accounts shall be kept in accordance with generally accepted accounting principles.

**§91.208. Notice of Known or Suspected Criminal Violations.**

(a) Each credit union shall exercise reasonable due diligence to discover, investigate, and report theft, embezzlement, and other types of criminal activity affecting the credit union. The credit union shall provide written notice to the Department within 30 calendar days for any of the following known or suspected criminal violations:

- (1) Insider abuse involving any amount,
- (2) Other transactions, including potential money laundering or violations of the Bank Secrecy Act, aggregating \$5,000 or more,
- (3) Losses resulting from robbery or burglary.

(b) When applicable, a credit union may meet the reporting requirements of this section by providing the Department a copy of a Suspicious Activity Report prepared in accordance with the NCUA Rules and Regulations 12 C.F.R. §748.1(c). The timeframe for reporting the activity to the Department in this manner may be extended up to 60 days when authorized by the regulation.

**§91.209. Call Reports and Other Information Requests.**

(a) Each credit union shall prepare and submit, in a manner prescribed by the commissioner, a quarterly financial and statistical report. Unless the commissioner orders otherwise, call reports (Form 5300) timely filed with the National Credit Union Administration will comply with the reporting requirements of this subsection. If a credit union fails to file the quarterly report on time, the commissioner may charge the credit union a penalty of \$100 for each day or fraction of a day the report is in arrears.

(b) Any credit union that makes, files, or submits a false or misleading financial and statistical report required by subsection (a) of this section, is subject to an enforcement action pursuant to the Finance Code, Chapter 122, Subchapter F.

(c) A credit union shall prepare and forward to the Department any supplemental report or other document that the Commissioner may, from time to time require, and must comply with all instructions relating to completing and submitting the supplemental report or document. For the purposes of this section, the Commissioner's request may be directed to all credit unions or to a group of credit unions affected by the same or similar issue, shall be in writing, and must specifically advise the credit union that the provisions of this section apply to the request. If a credit union fails to file a supplemental report or provide a requested document within the timeframe specified in the instruction, after notice of non-receipt, the commissioner may levy a penalty of \$50 for each day or fraction of a day such report or document is in arrears.

(d) If a credit union fails to file any report or provide the requested information within the specified time, the commissioner, or any person designated by the commissioner, may examine the books, accounts, and records of the credit union, prepare the report or gather the information, and



charge the credit union a supplemental examination fee as prescribed in §97.113 of this title (relating to Fees and Charges). The credit union shall pay the fee to the department within thirty days of the assessment.

(e) Any penalty levied under this section shall be paid within 30 days of the levy. Penalties received after the due date will be subject to a monthly 10% fee unless waived by the commissioner for good cause shown.

(f) The Department may, in lieu of imposing the penalty authorized by subsection (a) of this section, order a credit union to pay an amount, fixed by the Commissioner, that is minimally sufficient to cause the NCUA to reduce or negate its own penalty assessment against the credit union under Section 202 of the Federal Credit Union Act (12 U.S.C. §1782) for late or false/misleading filing of a quarterly call report (Form 5300). The Department shall abate the penalty, in part if the National Credit Union Administration exercises its authority to impose a civil money penalty for the same late or false/misleading filing. The penalty, assessed by the Department, however, shall not be decreased below the amount authorized to be assessed under subsection (a) of this section.

### **§91.210. Foreign Credit Unions.**

(a) Definitions. (1) Foreign credit union -- a credit union that is not chartered or otherwise organized under the laws of this state or the United States. (2) Local service area -- an area that is within reasonable proximity of a foreign credit union's office, allowing members to be realistically served from that office.

(b) Application. Prior to commencing business in this state, a foreign credit union is required to file a written application supported by such information and data as the commissioner may require to make the findings necessary for the issuance of a certificate of authority pursuant to Finance Code §122.013.

(c) Approval. The application shall not be approved unless the commissioner finds that the applicant:

(1) is acting in good faith and the application does not contain a material misrepresentation;

(2) is financially sound and has no supervisory problems;

(3) will conduct its operations in the State of Texas in accordance with the intent and purpose of the Act and Commission rules;

(4) has provided evidence of compliance with the Finance Code, §201.102 concerning registering with the secretary of state to do business in Texas;

(5) has share and deposit insurance equivalent to that required for credit unions organized under the Act;

(6) has paid a permit fee of \$500 for each and every branch office proposed to be established in the State of Texas;

(7) has fidelity bond coverage satisfactory to the commissioner; and

(8) has provided all other information the commissioner may require.

- (d) Compliance with Texas law. A credit union chartered by another state shall comply with all applicable Texas laws, including those laws regarding home equity lending, loan interest rates, and consumer protection, to the same extent that those laws apply to a Texas credit union.
- (e) Federal treaties. If a treaty or agreement exists between the United States and a foreign country which requires the commissioner to permit a foreign credit union to operate a branch in this state and the commissioner determines that the applicant has substantially the same characteristics as a credit union organized under the Act, then the applicant must comply with all provisions of the Act and commission rules, unless otherwise permitted by this section.
- (f) Financial statements. Each foreign credit union that is operating a branch office within the State of Texas shall furnish to the commissioner a copy of its annual audited financial statements, if any, or other statements of financial conditions as the commissioner may require.
- (g) Examinations. The commissioner is authorized to examine the books and records of any branch office operated in the State of Texas by a foreign credit union. The costs of examination, as prescribed in §97.113(d) of this title (relating to Supplemental Examinations), must be fully borne by the foreign credit union. The supplemental examination fee may be waived or reduced at the discretion of the commissioner.
- (h) Agreements with other regulators. The commissioner shall enter into supervisory agreements with the foreign credit union regulators and, as necessary, the foreign credit unions, as authorized by Finance Code §15.411, to resolve any conflict of laws and to specify the manner in which the examination, supervision, and application processes will be coordinated with the regulators. The agreement may also prescribe the applicable laws governing the powers and authorities of the foreign branch and may address, but are not limited to, corporate governance and operational matters. The agreement, however, shall not limit the jurisdiction or authority of the commissioner to examine, supervise and regulate a foreign credit union that is operating or seeking to operate a branch in this state or to take any action or issue any order with respect to that branch.
- (i) Field of membership. A certificate of authority to do business in this state is specifically issued to allow a foreign credit union to provide services to its existing field of membership. However, the commissioner may approve a foreign credit union's request to expand its field of membership to include groups with a community of interest that are within the foreign credit union's local service area if it is organized in a state or country that allows a credit union organized under the act to expand its field of membership to at least the same extent. After being satisfied that the group is within the foreign credit union local service area, the commissioner shall use the same criteria and the same procedures as used when a Texas credit union seeks to expand its field of membership. The commissioner shall make a reasonable effort to coordinate this determination with the foreign credit union's primary regulator to assure that each agency's material interests, authorities and responsibilities are fulfilled.
- (j) Location of Group. For the purposes of a field of membership expansion, the group as a whole will be considered to be within the local service area when:
- (1) A majority of the persons in the group live, work, or gather regularly within the local service area;
  - (2) The group's headquarters is located within the local service area; or
  - (3) The group's "paid from" or "supervised from" location is within the local service area.
- (k) Prohibition against share/deposit production offices. A foreign credit union may not use its certificate of authority primarily for the purpose of deposit production. The foreign credit union is expected to reasonably help meet the credit needs of the groups in Texas that are served by the credit union. If the Commissioner determines that the foreign credit union's level of lending in Texas relative to the deposits from Texas members is less than half the average of total loans

relative to total deposits for all credit unions domiciled in Texas, the credit union will not be permitted to further expand its field of membership nor open additional offices in Texas.

(l) Enforcement; penalty. The commissioner has grounds to issue a cease and desist order to an officer, employee, director, and/or the foreign credit union itself, if the commissioner determines from examination or other credible evidence that the credit union has violated or is violating any applicable Texas law or rules of the commission. If the foreign credit union does not comply with an order, the commissioner may assess an administrative penalty as authorized by §122.260, Finance Code, as well as suspend or revoke the certificate of authority.

## Subchapter J. Changes in Corporate Status

### §91.1003. Mergers/Consolidations.

(a) Definitions. The following words and terms, when used in this section, shall have the following meanings, unless the context clearly indicates otherwise.

(1) Acquirer credit union - The credit union that will continue in operation after the merger/consolidation.

(2) Acquiree credit union - The credit union that will cease to exist as an operating credit union at the time of the merger/consolidation.

(3) Merger inducement - A promise by a credit union to pay to the members of another credit union a sum of money or other material benefit upon the successful completion of a merger of the two credit unions.

(4) Substantial - An amount that is large in size, value, or importance. For purposes of this section, an amount is substantial if it exceeds \$1,000.00 in total.

(b) Two or more credit unions organized under the laws of this state, another state, or the United States, may merge/consolidate, in whole or in part, with each other, or into a newly incorporated credit union to the extent permitted by applicable law, subject to the requirements of this rule. A credit union may not offer a merger inducement to another credit union's members as a means of promoting a merger of the two credit unions.

(c) Notice of Intent to Merge/Consolidate. The credit unions shall notify the commissioner in writing of their intent to merge/consolidate within ten days after the credit unions' boards of directors formally agree in principle to merge/consolidate.

(d) Plan for Merger/Consolidation. Upon approval of a proposition for merger/consolidation by the boards of directors, the credit unions must prepare a plan for the proposed merger/consolidation. The plan shall include:

(1) The terms and conditions of the merger/consolidation including a detailed description of any substantial remuneration, such as bonuses, deferred compensation, early payout of retirement benefits, severance packages, retainers, services agreements, or other substantial financial rewards or benefits that any board member or senior management employee of the acquiree credit union may receive in connection with the merger/consolidation;

(2) the current financial reports of each credit union;

(3) the combined financial reports of the two or more credit unions;

(4) an analysis of the adequacy of the combined Allowance for Loan and Lease Losses account;

(5) an explanation of any proposed adjustments to the members' shares, or provisions for reserves, dividends, or undivided profits;

(6) a summary of the products and services proposed to be available to the members of the acquirer credit union, with an explanation of any changes from the current products and services provided to the members;

(7) a summary of the advantages and disadvantages of the merger/consolidation;

(8) the projected location of the main office and any branch location(s) after the merger/consolidation and whether any existing office locations will be permanently closed; and

(9) any other items deemed critical to the merger/consolidation agreement by the boards of directors.

(e) Submission of an Application to Merge/Consolidate to Department.

(1) An application for approval of the merger/consolidation will be complete when the following information is submitted to the commissioner:

(A) the merger/consolidation plan, as described in this rule;

(B) a copy of the corporate resolution of each board of directors approving the

merger/consolidation plan;

- (C) the proposed Notice of Special Meeting of the members;
- (D) a copy of the ballot form to be sent to the members;
- (E) the current delinquent loan summaries for each credit union;
- (F) a statement as to whether the transaction is subject to the Hart-Scott Rodino

Act premerger notification filing requirements; and

(G) a request for a waiver of the requirement that the plan be approved by the members of any of the affected credit unions, in the event the board(s) seek such a waiver, together with a statement of the reason(s) for the waiver(s).

(2) If the acquirer credit union is organized under the laws of another state or of the United States, the commissioner may accept an application to merge or consolidate that is prescribed by the state or federal supervisory authority of the acquirer credit union, provided that the commissioner may require additional information to determine whether to deny or approve the merger/consolidation. The application will be deemed complete upon receipt of all information requested by the commissioner. Notice of the proposed merger must be published in the *Texas Register* and Department Newsletter as prescribed in §91.104 (relating to Notice of Applications).

(f) Commissioner Action on the Application.

(1) The commissioner may grant preliminary approval of an application for merger/consolidation conditioned upon specific requirements being met, but final approval shall not be granted unless such conditions have been met within the time specified in the preliminary approval.

(2) The commissioner shall deny an application for merger/consolidation if the commissioner finds any of the following:

(A) the financial condition of the acquirer credit union before the merger/consolidation is such that it will likely jeopardize the financial stability of the merging credit union or prejudice the financial interests of the members, beneficiaries or creditors of either credit union;

(B) the plan includes a change in the products or services available to members of the acquiree credit union that substantially harms the financial interests of the members, beneficiaries or creditors of the acquiree credit union;

(C) the merger/consolidation would probably substantially lessen the ability of the acquirer credit union to meet the reasonable needs and convenience of members to be served;

(D) the credit unions do not furnish to the commissioner all information requested by the commissioner which is material to the application;

(E) the credit unions fail to obtain any approval required from a federal or state supervisory authority; or

(F) the merger/consolidation would be contrary to law.

(3) For applications to merge/consolidate in which the products and services of the acquirer credit union after merger/consolidation are proposed to be substantially the same as those of the acquiree and acquirer credit unions, the commissioner will presume that the merger/consolidation will not significantly change or affect the availability and adequacy of financial services in the local community.

(g) Procedures for Approval of Merger/Consolidation Plan by the Members of Each Credit Union.

(1) The credit unions have the option of allowing their members to vote on the plan in person at a meeting of the members, by mail ballot, or both. With prior approval of the commissioner, a credit union may accept member votes by an alternative method that is reasonably calculated to ensure each member has an opportunity to vote.

(2) Members shall be given advance notice of the meeting in accordance with the credit

union's bylaws. The notice of the meeting shall:

- (A) specify the purpose of the meeting and state the date, time, and place of the special meeting;
- (B) state the reasons for the proposed merger/consolidation;
- (C) contain a summary of the merger plan and state that any interested person may obtain more detailed information about the merger from the credit union at its principal place of business, or by any method approved in advance by the commissioner;
- (D) provide the name and location of the acquirer credit union;
- (E) specify the methods permitted for casting votes; and
- (F) if applicable, be accompanied by a mail ballot.

(h) **Completion of Merger/Consolidation.**

(1) Upon approval of the merger/consolidation plan by the membership, if applicable, the Certificate of Merger/Consolidation shall be completed, signed and submitted to the commissioner for final authority to combine the records. Necessary amendments to the acquirer credit union's articles of incorporation or bylaws shall also be submitted at this time.

(2) Upon receipt of the commissioner's written authorization, the records of the credit unions shall be combined as of the effective date of the merger/consolidation. The board of the directors of the acquirer credit union shall certify the completion of the merger/consolidation to the commissioner within 30 days after the effective date of the merger/consolidation.

(3) Upon receipt by the commissioner of the completion of the merger/consolidation certification, any article of incorporation or bylaw amendments will be approved and the charter of the acquiree credit union will be canceled.

**§91.1005. Conversion to a Texas Credit Union.**

(a) **Authority to convert.** A federal credit union or an out of state credit union is authorized to convert to a credit union incorporated under the laws of this state by Section 122.203 of the Act.

(b) **Requirements for conversion.** A credit union wishing to convert to a credit union incorporated under the laws of this state shall comply with the following requirements:

(1) Submit a complete application on a form and in a manner prescribed by the commissioner;

(2) Furnish evidence that the current federal or state regulatory agency having jurisdiction over the applicant has no preliminary objection to the conversion plan;

(3) Submit to a conversion examination by the department and pay the supplemental examination fee prescribed in Section 97.113 of this Title (relating to Fees and Charges). The commissioner may waive the examination or the fee, upon finding good cause;

(4) Furnish evidence confirming that the applicant has complied with all applicable requirements of and has completed the conversion in a manner satisfactory to the insuring organization and the current federal or state regulatory agency; and

(5) Furnish evidence that the applicant has established or will relocate its principal place of business in a specific location in the State of Texas.

(c) **Approval.** The commissioner shall approve the conversion once the conditions required by this section have been met and the commissioner finds that the applicant: (1) is financially sound; (2) has no material supervisory problems; and (3) can reasonably be expected to conduct its operations in a safe and sound manner and in accordance with the laws of this state. The commissioner may approve the conversion conditioned upon specific requirements being met, but the certificate of incorporation shall not be issued unless such conditions have been met.

(d) **Effective date.** The conversion shall become effective immediately upon the issuance of the certificate of incorporation or on a stipulated date within 90 days of the conversion approval. On

request and for good cause shown, the commissioner may grant a reasonable extension of the effective date.

#### **§91.1006. Conversions to a Federal or Out-of-State Credit Union.**

- (a) Authority to Convert. A credit union organized under the laws of this state is authorized to convert to a federal credit union or an out-of-state credit union by Sections 122.201 and 122.202 of the Act.
- (b) Requirements for Conversion. A credit union wishing to convert to a federal credit union or an out-of-state credit union shall comply with the following requirements:
  - (1) Furnish evidence to the department that a conversion proposal has been approved by a two-thirds vote of the board of directors;
  - (2) Submit copies of all filings made with any state or federal regulatory agency and insuring organization with jurisdiction over any aspect of the conversion process;
  - (3) Furnish evidence confirming that the insuring organization and the acquiring state or federal regulatory agency have no preliminary objections to the plan;
  - (4) Submit a vote certification as required by Section 91.1008(c) of this chapter showing that the conversion proposal was approved by an affirmative vote of a majority of the eligible members of the credit union voting; and
  - (5) Furnish written evidence confirming that the credit union has met all of the conversion requirements of the insuring organization and the acquiring state or federal regulatory agency.
- (c) Approval. The commissioner shall approve the conversion if all of the conditions required by this section have been met, unless the commissioner determines the conversion is being made to circumvent a pending supervisory action that is about to be or has been initiated by the commissioner because of a concern over the safety and soundness of the credit union.
- (d) Effective Date. Once the commissioner has approved the conversion, it shall become effective upon the issuance of a charter or certificate of incorporation from the acquiring state or federal regulatory agency.

#### **§91.1007. Conversion to a Mutual Savings Institution.**

- (a) Authority to convert. A credit union organized under the laws of this state is authorized to convert to a mutual savings bank or association by Section 123.003 of the Act.
- (b) Requirements for conversion. A credit union that is considering converting to a mutual savings bank or association must comply with the following requirements:
  - (1) Preliminary communication with membership and department. At least thirty days prior to a final vote by the board of directors to formally adopt a conversion proposal, the credit union shall send notice to the department and each member advising that the board is considering a possible conversion to a mutual savings bank or association. The notice shall, at a minimum, contain the following information: (a) a prominent legend in bold-face type that advises members of a potential conversion; (b) the electronic availability of information related to a potential conversion; (c) a telephone number and e-mail address that members may use to request copies of the potential conversion information that is available by electronic means; (d) the ability of members to submit written comments on the potential conversion; and (e) a clear, concise, and impartial description of the potential conversion to be considered by the board.
  - (2) Information posted on Internet web site. The credit union shall post information related to a potential conversion on the credit union's principal Internet web site at least thirty days

prior to a vote by the board of directors to adopt a proposal of conversion. The posted information shall, at a minimum, discuss:

- (A) The business purposes that might be accomplished by a conversion;
- (B) The differences between and similarities of a credit union and a mutual savings institution;
- (C) An estimate of the anticipated conversion expenses;
- (D) The methods by which a member may request a copy of the posted information;
- (E) The method and timeline for members to submit written comments on the potential conversion; and
- (F) The process that will be followed if the board formally adopts a conversion proposal.

(3) Written comments from members. The board shall provide members a reasonable opportunity to submit written comments relating to a potential conversion. The board may hold a special meeting to receive member input regarding the potential conversion. It is within the board's discretion to determine the type, number, duration, and location of any special meeting(s). Before taking a final vote on a conversion proposal, the board should consider all written comments and any other member input received at any special meeting.

(4) Adoption of a conversion proposal by the board. Subsequent to the written comment period, the credit union may adopt, by the affirmative vote of at least two-thirds of the members of its board of directors, a conversion proposal consistent with this section. The credit union shall notify the department of the board's approval of the proposal within 5 days of the approval. In addition, the following documents must be sent to the department as soon as reasonably practical:

- (A) Copies of any filings made with any state or federal regulatory agency and insuring organization with jurisdiction over any aspect of the conversion process;
- (B) A copy of the disclosure materials and the ballot to be sent to eligible members relative to voting on the conversion proposal;
- (C) An estimated budget of the anticipated conversion expenses including legal, postage and mailing, advertising, printing, consulting fees, examination and operating fees, and any overtime or other employee compensation to be paid exclusively as a result of the conversion; and
- (D) Any other information reasonably requested by the commissioner.

(5) Membership approval. The members of the credit union must approve the conversion proposal by an affirmative vote of a majority of those eligible members who vote on such proposal, unless the bylaws require a higher vote threshold. The credit union shall submit a vote certification as required by section 91.1008(c) of this chapter showing that the conversion proposal was approved by the members of the credit union;

(6) Insuring organization requirements. The credit union must furnish written evidence of its compliance with any voting procedures and disclosure requirements imposed by its insuring organization; and

(7) Other regulatory oversight. The credit union must furnish written evidence that it has met all conversion requirements of the acquiring state or federal regulatory agency.

(c) Notice, disclosure materials, and ballot mailed to members. The credit union shall mail to each eligible member, as defined in Section 91.1008 of this Chapter, a notice advising the member of the adoption and filing of the conversion proposal. The notice must include a prominent statement that the conversion will be decided by a majority of eligible members who vote on the issue (unless the bylaws require a higher vote threshold), and that each eligible member is only entitled to vote



once. Also, incorporated with the mailing of the notice, eligible members shall be provided with plain language disclosures of material facts and information to be used as a basis for reaching an informed decision to vote on the conversion. The disclosures and ballot shall be submitted to the commissioner for approval. The commissioner may require changes in the disclosures and ballot provided to eligible members to assure full and adequate disclosure prior to the documents being mailed to eligible members.

(d) Conflict of interest. A director, officer, committee member, agent, or senior management employee of the credit union, and immediate family members of such individuals shall not, directly or indirectly, receive a fee, commission, or other consideration, other than that person's usual salary or compensation, for aiding, promoting, or assisting in a conversion under this section.

(e) Continuity of existence. The corporate existence of a credit union converting under this rule shall continue in its successor. Each member shall be entitled to receive a share or deposit account or accounts in the converted institution equal in amount to the value of accounts held in the former credit union subject to any lien or right of offset held by the credit union.

(f) Approval. The commissioner shall approve the conversion if all of the conditions required by this section have been met, unless the commissioner determines the conversion is being made to circumvent a pending supervisory action that is about to be or has been initiated by the commissioner because of a concern over the safety and soundness of the credit union.

(g) Effective date. Once the commissioner has approved the conversion, it shall become effective upon the issuance of a charter or certificate of incorporation from the acquiring state or federal regulatory agency.

#### **§91.1008. Conversion Voting Procedures and Restrictions; Filing Requirements.**

(a) Voting procedures. Eligible members may vote on a plan of conversion by written ballot either filed in person at a special meeting held on the date set for the vote or mailed by the member. The vote on a conversion proposal must be by secret ballot. Mail balloting must be conducted in accordance with §91.302 of this Chapter.

(b) Definitions.

(1) "Eligible Member" means a member of a credit union who is approved and fully qualified for membership in accordance with the credit union's bylaws and written policies as of the eligibility record date.

(2) "Eligibility Record Date" means the cut off date for determining eligible members, which shall be deemed to be the last day of the month immediately preceding the date the credit union's board of directors notifies members or the public that it is contemplating a conversion.

(c) Voting ballots. All ballots must include the following:

(1) The name of the credit union and the name of the proposed institution if the conversion is approved. This information may be incorporated into the body of the voting options;

(2) The date and time by which the ballot must be received if mailed; and

(3) The following statements, printed in a manner acceptable to the commissioner:

(A) The conversion will be decided by a majority of credit union members who vote on the issue (unless the bylaws require a higher vote threshold);

(B) Once a vote has been cast, it may not be changed; and

(C) A "yes" vote means the credit union will become a (insert conversion entity type) and a "no" vote means the credit union will remain a (insert state or federal) credit union.

(D) Vote certification. Within ten business days following a vote on a plan of conversion, the credit union shall file with the department a certified copy of a resolution of the board of directors stating that voting on the conversion has been completed in accordance with this section and setting out the following information:

- (1) The total number of members eligible to vote;
- (2) The number of eligible members who voted (either at the special meeting or by mail); and
- (3) The total number of votes cast in favor and against the plan of conversion.

#### **§91.1010. Voluntary Liquidation.**

(a) Definitions. The following words and terms, when used in this section, shall have the following meanings, unless the context clearly indicates otherwise.

(1) Voluntary liquidation means the dissolution of a credit union with the assets being sold or collected, liabilities paid, and shares/deposits distributed under the direction of the board of directors.

(2) Liquidation date means the date the membership votes to approve liquidation.

(3) Liquidating agent means the person or persons appointed by the board of directors to take possession of, manage, and liquidate the credit union.

(b) Initiating voluntary liquidation process.

(1) Unless the commissioner has issued a liquidation order, the board of directors may, by resolution, recommend the voluntary dissolution of the credit union and direct submission of the question to the members of the credit union.

(2) Within five days after the date the board adopts the resolution, the chairman of the board shall notify the commissioner, in writing, of the reasons for the proposed liquidation including a balance sheet and income statement as of the previous month-end.

(3) The board shall act promptly to obtain the membership's approval in accordance with subsection (f) of this section.

(4) The board's recommendation to dissolve and liquidate the credit union must be approved by the affirmative vote of a majority of members who submit ballots in person at the special membership meeting and by mail. If less than a majority vote to approve, the credit union may, subject to the commissioner's approval, resume normal business, resubmit the question of liquidation to the membership or request the appointment of a conservator under the Act and the rules adopted under it.

(5) After an affirmative vote by the members to dissolve and liquidate the credit union, the board of directors shall be responsible for conserving the assets, for expediting the liquidation, and for fair and equitable distribution of the assets to the members.

(6) Within 5 days after an affirmative vote to dissolve and liquidate the credit union the chairman shall notify the commissioner in writing of the intention to liquidate together with a list of the officers and directors.

(c) Notice of liquidation.

(1) If the vote to dissolve and liquidate the credit union is affirmative, the credit union shall:

- (A) File a notice with the Department within five days after the liquidation date;
- and

(B) Mail a copy of the notice of liquidation to shareholders/depositors, other known creditors, and known claimants of the credit union within ten days after the liquidation date.

(2) A credit union shall publish public notice of liquidation, if so directed, and in the manner directed, by the Department.

(3) Creditors shall be provided at least 30 days after the liquidation date to submit their claims.

(d) Transaction of business during liquidation.

(1) Immediately after notice of the special meeting to consider voluntary liquidation is mailed to the membership, admission of new members shall be suspended. No new extensions of credit shall be funded during the period between the board of directors' adoption of the resolution recommending voluntary liquidation and the membership meeting called to consider voluntary liquidation, except for the issuance of loans fully secured by a pledge of shares and the funding of outstanding loan commitments approved before adoption of the board resolution. Collection of loans and interest, payments of necessary expenses, clearing of share drafts and credit card charges shall continue.

(2) If the membership votes to dissolve and liquidate the credit union, the credit union shall immediately discontinue payments on shares/deposits, withdrawal of shares/deposits (except for transfer of shares/deposits to loans and interest), transfer of shares/deposits to another share/deposit account, in the same credit union, granting of loans, and making of investments other than short-term investments shall be discontinued. The credit union shall continue to collect on loans with interest and shall continue to pay necessary expenses during the period of liquidation. The credit union shall direct its Members to discontinue the use of share drafts and credit cards, and shall inform Members that on and after the 15<sup>th</sup> calendar day after the liquidation date, items will no longer be cleared.

(3) Approval of the Department must be obtained prior to consummating any sale of assets which would not provide sufficient funds to pay shareholders/depositors dollar-for-dollar, principal plus any interest accrued or due to the shareholder/depositor, through the liquidation date.

(e) Liquidation Plan. The board of directors shall develop and approve a written plan for the liquidation of the assets and payment of shares/deposits. The liquidation plan shall provide for the liquidation of the credit union within one year of the liquidation date. At a minimum, a credit union's liquidation plan shall address the following areas:

(1) Qualifications and experience of the proposed liquidating agent and the compensation and expenses attributable to the service of such person or persons;

(2) Income and expense items must be projected to determine that sufficient funds will be available to finance the liquidation of the credit union;

(3) Schedule for payment of all debts and liabilities owed by the credit union;

(4) Partial distributions of shares/deposits should be considered as funds become available from the liquidation of assets;

(5) Distribution of the credit union's assets that remain after settlement of debts and liabilities to all persons entitled to them;

(6) Disposition or maintenance of any remaining or unclaimed funds, real or personal property, or other assets;

(7) Surety bond coverage of all persons who will handle or have access to funds of the credit union and the proposed discovery period after final distribution of assets; and

(8) Retention of the credit union's records after liquidation, and in a manner that complies with subsection (j) of this section.

(f) Approval of the liquidation proposal by membership.

(1) Not later than the 10<sup>th</sup> calendar day before the date of the special membership meeting to consider approval of the liquidation, the credit union shall notify, by first class mail, the Commissioner and each member who is eligible to vote on the proposal. The notice must adequately describe the purpose and subject matter of the vote and clearly inform members that they may vote at a special meeting held on the date set for the vote or by mailing in the ballot. The notice must include a clear and conspicuous disclosure of how the voluntary liquidation may affect the availability of funds on deposit and state the date, time, and place of the meeting. A ballot must be included in the same envelope as the notice.

(2) No director or senior management employee may receive any economic benefit in connection with the voluntary liquidation of the credit union other than compensation and other benefits paid to directors and senior management employees in the ordinary course of business.

(3) A credit union considering the question of liquidation must conduct its membership vote in a fair and legal manner. No inducements may be offered to encourage members to participate in the vote.

(4) A credit union should be careful to conduct its special membership meeting in a manner conducive to accommodating all members wishing to attend, including selecting a meeting location that can accommodate the anticipated number of attendees and is conveniently located. The meeting should also be held on a day and time suitable to most members' schedules.

(g) Distribution of assets.

(1) The liquidating agent shall use the credit union's assets to pay, in the following order:

(A) Secured creditors to the extent of the value of their collateral;

(B) Liquidation expenses, including a surety bond;

(C) Depositors;

(D) General creditors, including secured creditors to the extent that their claims exceed the value of their collateral; and

(E) Distributions to members in proportion to the shares/deposits held by each member.

(2) After all assets of the credit union have been converted to cash or found to be worthless, and all loans and debts owing to it have been collected or found to be uncollectible, and all obligations of the credit union have been paid/settled, except for shares/deposits due its members, the credit union shall close its books and compute the pro rata distribution to its members. The computation shall be based on the total amount in each share/deposit account as of the liquidation date or the date on which all share drafts have cleared, whichever is later.

(3) Payments must be made to members promptly after the pro rata distribution has been computed. The credit union may mail a check to the member's last known address, deliver the check personally to the member, or make the payment by wire or any other electronic means authorized by the member.

(4) Unclaimed share/deposit accounts, unpaid claims, and unpaid claims of members or creditors who failed to cash their final distribution checks shall be escheated in accordance with Texas laws.

(5) The Department shall be notified in writing within five days after the final distribution of assets to the members begins.

(h) Economic benefit. No director or senior management employee may receive any economic benefit in connection with the voluntary liquidation of the credit union other than compensation and other benefits paid to directors and senior management employees in the ordinary course of business.

(i) Continued supervision of voluntary liquidation.

(1) A voluntary liquidation of a credit union shall be conducted only with the continued supervision of the Department. The commissioner may conduct any examinations of the credit union the commissioner considers necessary or appropriate.

(2) The credit union shall submit a report to the Department within 10 business days after the start of liquidation showing the credit union's balance sheet as of the start of liquidation. The liquidating credit union shall submit a report of progress as requested by the Department.

(3) If the commissioner has reason to conclude the voluntary liquidation of a credit union is not being safely or expeditiously conducted, or is being conducted in violation of this section, the commissioner may take possession of the business and property of the credit union in the same manner, with the same effect, and subject to the same rights accorded the credit union as if the commissioner had issued a liquidation order. The commissioner may appoint a new liquidating agent and proceed to liquidate the affairs of the credit union as provided in the Finance Code, Title 3, Subtitle D, Subchapter E.

(j) Retention of records.

(1) The board of directors shall appoint a custodian for the credit union's records that are to be retained after the final distribution of assets.

(2) The custodian shall retain all records of the liquidating credit union that are necessary to establish that the credit union paid creditors, and distributed assets to the members fairly and equitably in accordance with the approved liquidation plan. The custodian shall retain the records for a period of five years following the date the Department cancels the credit union's charter.

(k) Certificate of dissolution and liquidation. Within 120 days after the credit union begins final distribution of assets to members, it shall file with the Department a duly executed Certificate of Dissolution and Liquidation.

(l) Inquiries after liquidation. It will be the responsibility of the custodian for the credit union's records to respond timely to inquiries after liquidation.

## **Subchapter L. Submission of Comments by Interested Parties**

### **§91.3001. Opportunity To Submit Comments On Certain Applications.**

- (a) An interested party may submit comments to the commissioner on the following matters:
  - (1) an application for incorporation under the Texas Finance Code, Section 122.001;
  - (2) an amendment to a credit union's articles of incorporation under the Texas Finance Code, Section 122.011, which includes an amendment to expand the credit union's field of membership; or
  - (3) an application to merge or consolidate under the Texas Finance Code, Section 122.152.
- (b) An interested party is a person or entity that has an interest in particular to the application other than as a member of the general public.
- (c) Acceptance of comments under this section does not constitute a determination of standing to protest or otherwise participate in a contested case hearing on the application.
- (d) Comments may be made in writing or provided in a meeting with the commissioner or deputy commissioner, as follows:
  - (1) written comments shall be submitted within 30 days after notice of the application is published in the Texas Register or the department's newsletter, whichever is later;
  - (2) a meeting to receive comments shall be held upon written request by an interested party or upon the commissioner's direction.

### **§91.3002. Conduct Of Meetings To Receive Comments.**

- (a) Meetings to receive comments under 91.3001 of this title (relating to opportunities to submit comments on certain applications) will be conducted in the following manner:
  - (1) a written request for a meeting to receive comments must be received by the department within 30 days after publication of the notice of the application and shall contain the following:
    - (A) the identity of the requestor, including the name of a natural person who represents a business entity or other association, mailing address, daytime telephone number, and a facsimile number if any;
    - (B) the name of the application and type of application;
    - (C) a description of the requestor's interest in the application; and
    - (D) a list of at least three dates and times within 30 days after the date of publication of notice of application, which are available for the meeting.
  - (2) the meeting will be scheduled and may be rescheduled, if necessary, by the commissioner to occur after at least three business days' notice by telephone, facsimile, or mail;
  - (3) one meeting may be scheduled to receive comments from more than one interested party, at the discretion of the commissioner;
  - (4) a limit on the length and other conditions for the conduct of the meeting may be imposed by the commissioner, and the conditions will be stated in the notice of the meeting;
  - (5) the meeting may be conducted by telephone with the consent of the interested party; and
  - (6) the department is not required to make a record of the meeting.
- (b) An interested party who fails to attend a meeting scheduled for the party's benefit may submit written comments within three days after the date scheduled for the meeting, but the commissioner is not required to schedule another meeting.

(c) The purpose of the meeting is only to receive comments, and no decision, preliminary or otherwise, will be made at the meeting.

## **PROPOSED AMENDMENTS**

### **ACCURACY OF ADVERTISING**

- F. (4) Recommendation for Proposed Amendments to 7 TAC, Part 6, Chapter 91, Subchapter A, Section 91.125 (General Rules) Concerning Accuracy of Advertising.

**BACKGROUND:** Amendments are proposed to the rule to clarify the rule applies to announcements or press releases. The original rule was adopted in November of 2005, by request of the state legislature. The additional languages modernizes the rule to clarify that dissemination of information under means such as social media announcements and press releases is covered under this rule. Because of the velocity of these types of communications, the time to respond when a notice the advertising is deemed misleading is proposed to be reduced from ten to five business days and it provides for the option of notifying that the communication at issue has been removed as an adequate response.

**RECOMMENDED ACTION:** The Department requests that the Committee recommend to the Commission to approve the proposed rule changes for publication and comment.

**RECOMMENDED MOTION:** I move that the Committee recommend that the Commission approve for publication and comment on the Proposed Amendments to 7 TAC, Part 6, Chapter 91, Subchapter A, Section 91.125 concerning **Accuracy of Advertising**.



The Credit Union Commission proposes amendments to §91.125, concerning accuracy of advertising. The proposed amendments clarify that advertising includes any announcements or press releases. They provide for five business days to respond or remove the advertisement and continue to allow the Commissioner to prohibit the use of advertising, postings or press releases that are false, deceptive or misleading.

The new rule responds to increased use of online announcements or social media postings as well as self-issued press releases to promote a credit union or its products. It assures these types of communications are held to the same standards for accuracy as a traditional advertisement and the public can be protected from deceptive or misleading advertising.

**FISCAL NOTE ON STATE AND LOCAL GOVERNMENTS.** Karen Miller, General Counsel, has determined that for the first five-year period the proposed amendments are in effect, there are no reasonably foreseeable implications relating to cost or revenues of state or local governments under Government Code §2001.024(a)(4), as a result of enforcing or administering these amendments, as proposed.

**PUBLIC BENEFIT/COST NOTE.** Ms. Miller has determined, under Government Code §2001.024(a)(5), that for the first five-year period the amended rules are in effect, the public benefit of rule clarity will provide improved guidance to the industry. She further has determined there will be no probable economic cost to the credit union system or to persons required to comply with the rule.

**IMPACT ON LOCAL EMPLOYMENT OR ECONOMY.** There is no reasonably forecasted effect on local economy for the first five years that the proposed amendments are in effect. Therefore, no economic impact statement, local employment impact statement, nor regulatory flexibility analysis is required under Texas Government Code §§2001.022 or 2001.024(a)(6).

**COST TO REGULATED PERSONS (COST-IN/COST-OUT).** This rule proposal is not subject to Texas Government Code §2001.0045, concerning increasing costs to regulated persons, because this agency is a Self-Directed Semi-Independent (SDSI) agency under Finance Code Chapter 16 and is exempt from that cost provision.

**ECONOMIC IMPACT STATEMENT AND REGULATORY FLEXIBILITY ANALYSIS FOR SMALL BUSINESSES, MICROBUSINESSES, AND RURAL COMMUNITIES.** Ms. Miller has also determined that for each year of the first five years the proposed amendment is in effect, there will be no reasonably forecasted adverse economic effect on small businesses, micro-businesses, or rural communities as a result of implementing these amendments, and, therefore, no regulatory flexibility analysis, as specified in Texas Government Code §2006.002 is required.

**GOVERNMENT GROWTH IMPACT STATEMENT.** In compliance with Texas Government Code §2001.0221, the Board has prepared a government growth impact statement.

Unless indicated below, for each year of the first five years that the rule will be in effect, the rule will not:

- create or eliminate a government program;
- require the creation of new employee positions or the elimination of existing employee positions;

- require an increase or decrease in future legislative appropriations to the agency;
- lead to an increase or decrease in the fees paid to the department;
- create new regulations;
- expand, limit or repeal existing regulations;
- increase or decrease the number of individuals subject to the rule's applicability;
- positively or adversely affect this state's economy.

**TAKINGS IMPACT ASSESSMENT.** No private real property interests are affected by this proposal, and the proposal does not restrict or limit an owner's right to his or her property that would otherwise exist in the absence of government action. Therefore, the rule does not constitute a taking under Texas Government Code §2007.043.

**ENVIRONMENTAL RULE ANALYSIS.** The proposed rule is not a "major environmental rule" as defined by Government Code, §2001.0225. The proposed rule is not specifically intended to protect the environment or to reduce risks to human health from environmental exposure. Therefore, a regulatory environmental analysis is not required.

**REQUEST FOR PUBLIC COMMENT.** Written comments on the proposed amendments may be submitted in writing to Karen Miller, General Counsel, Credit Union Department, 914 East Anderson Lane, Austin, Texas 78752-1699 or by email to CUDMail@ cud.texas.gov. To be considered, a written comment must be received on or before 5:00 p.m. on the 31st day after the date the proposal is published in the Texas Register.

**STATUTORY AUTHORITY.** The amendments are proposed pursuant to Texas Finance Code, Section 15.402, which authorizes the Commission to adopt reasonable rules for administering Texas Finance Code, Title 2, Chapter 15 and Title 3, Subtitle D. Authority to adopt these amendments is found also in Texas Finance Code Sections 122.1531 and 122.156.

**STATUTORY SECTIONS AFFECTED.** The statutory provisions affected by the proposed amendments are contained in Texas Finance Code Chapter 15 and Title 3, Subtitle D specifically Finance Code, Sections 122.005, 122.151 - 122.156, and 124.003.

### **§91.125. Accuracy of Advertising.**

(a) As used in this rule, an advertisement is any informational communication, including oral, written, electronic, broadcast or any other type of communication, made to members, prospective members, or to the public at large in any manner designed to attract attention to the business of a credit union.

(b) No credit union shall disseminate or cause the dissemination of any advertisement, **announcement, or press release** that is in any way intentionally or negligently false, deceptive, or misleading. An advertisement shall be deemed by the Commissioner to be intentionally or negligently false, deceptive, or misleading if it:

- (1) contains materially false claims or misrepresentations of material facts;
- (2) contains materially implied false claims or implied misrepresentations of material fact;
- (3) omits material facts;
- (4) makes a representation likely to create an unjustified expectation about credit union products or services;

(5) states that the credit union's services are superior to or of a higher quality than that of another financial institution unless the credit union can factually substantiate the statement;

(6) states that a service is free when it is not, or contains intentionally untruthful or deceptive claims regarding costs and fees; and

(7) fails to disclose that membership is required to participate in or enjoy the advantage of the product or service (does not apply to advertisement to current members).

(c) Prior to placing an advertisement, a credit union must possess credible information which, when produced, substantiates the truthfulness of any assertion, representation or omission of material fact set forth in the advertisement.

(d) If the Commissioner notifies a credit union that an advertisement, **announcement, or press release** is deemed to be false, deceptive or misleading, the credit union will have **[ten] five (5) business** days following the credit union's receipt of the notification to provide the Commissioner with information substantiating the truthfulness of the advertisement **or notify the department of removal of the advertisement, announcement or press release.** If the **[credit union does not provide this information or the]** Commissioner, after receipt of the information, still deems the advertisement, **announcement, or press release** to be false, deceptive or misleading, the Commissioner may issue a cease and desist order to the credit union to stop the use of the advertisement.

## **MERGERS/CONSOLIDATIONS**

### **F. (5) Recommendation for Proposed Amendments to 7 TAC, Part 6, Chapter 91, Subchapter J, Section 91.1003 (Mergers/Consolidations)**

**BACKGROUND:** Amendment are proposed to provide more detail and clarity to the guidance when two credit unions decide to merge and enable the department to assure that members of the credit unions that are merging have sufficient and transparent information when casting their member vote..

Credit Unions are undergoing significant consolidation in numbers, 163 credit unions with \$14 billion in federally insured assets were merged into other credit unions in the 2024 calendar year. The average assets of the surviving or continuing credit unions is \$1.2 billion, and the average size of the merging or failed credit unions was \$90 million. Of those, only 24 were merged due to financial or management reasons and 138 or 85% were voluntary, with 119 indicating the reason was simply “expanded services”. There has been a recent trend to offer financial incentives to credit union officials as part of the merger. This has resulted with NCUA rules that require publication to the public of the member notice on their website and requirements for disclosure of financial arrangements from a merger in the member ballot.

A recent merger of a credit union with just under \$150 million in assets, had approximately \$6 million in executive upon merger completion. A copy of the public notice in this merger is included in the Committee’s packet. We also include the public comments to this merger.

Credit Unions are member owned, and the capital of the institution does not belong to the officials or executives but to its members. Members should presume that both the regulator and their board is protecting their investment. At a minimum, credit union members deserve to be fully informed when they vote to dissolve their credit union.

The notice to members must be reviewed and approved by the Department and NCUA. It must contain a summary of the plan for merger. In order for the department to assure the member notice provides transparency, revisions to the rules are necessary to provide the department with enough information to review the plan, financial effects of a merger and assure that there is appropriate disclosure to the members. More detail in the rule will also facilitate submission of complete applications which do not need to be returned for additional information. Complete disclosure of information is important, particularly as to detailing all merger related

financial arrangements, and providing the reasons for merging with a specific surviving or continuing credit union.

The proposed amendment defines merger related financial arrangement to assure payments to officials or executives cannot be concealed through the use of third parties. The amendments will assure all merger related payments are disclosed to the regulator, insurer and credit union members.

Revisions to the rule make clear the merger plan:

1. must disclose all payments or financial awards payable to any parties as a result of the merger and include honorariums or any rewards from related entities or third parties from the merger;
2. must detail significant expenditures, such as contractual termination expense, expected as a result of the merger which will impact capital;
3. documents the merging Credit Union's Board's efforts to fulfill their statutory and fiduciary duties when deciding to merge and selecting their merger partner; and
4. contains detailed support for the calculation methodology for any financial rewards provided to any party; and

Other amendments to the rule:

1. Change the definition of a substantial amount from \$1,000 to \$10,000.
2. Clarify:
  - a. that an objectively calculated dividend, interest rebate or other similar payment to the credit union members is not a prohibited merger inducement;
  - b. the prohibition on member inducements only relates to members of one credit union being solicited to merge by a different entity (not their own board);
  - c. an increase in benefits or salary to at-will employees equal to those offered to a surviving credit union's existing employees is not a merger related financial arrangement;
  - d. the Commissioner has the power to request additional information to review the application;
  - e. the financial condition of the credit union anticipated after the merger, considering financial rewards and significant contract expenditures, will be considered in the final approval, and
  - f. that misleading advertisements related to the merger will be subject to accuracy of advertising rules and possible cease-and-desist order as well

as may be a basis for denial of the application after notice under this rule.

3. Require financial awards conditioned on the merger (defined as merger related financial arrangements) to be detailed on a separate additional page to be included with the members' ballot and meeting notice, this assures the disclosure is not obscured by other information, much of it promotional for the merger, when the member is making their vote.

**RECOMMENDED ACTION:** The Department requests that the Committee recommend to the Commission to approve for publication and comment on the Proposed Amendments to 7 TAC, Part 6, Chapter 91, Subchapter J, Section 91.1003 concerning **Mergers/Consolidation.**

**RECOMMENDED MOTION:** I move that the Committee recommend that the Commission approve for publication and comment on the Proposed Amendments to 7 TAC, Part 6, Chapter 91, Subchapter J, Section 91.1003 concerning **Mergers/Consolidation.**

The Credit Union Commission (the Commission) proposes amendments to 7 TAC §91.1003, relating to Mergers and Consolidations. The proposed amendments add a definition of merger related financial arrangements and detail disclosures and board due diligence documentation that must be included in any plan of merger.

The Commission proposes the following amendment to §91.1003. The language is presented to assure boards of directors that decide to merge document their due diligence on behalf of their members and merger plans provide full transparency with regards to any entities that will receive financial benefits because of the merger and the plan contemplates all costs associated with the merger.

Credit Unions are member owned, and the capital of the institution does not belong to its officials or executives but to its members. Members should be able to rely on both the regulator and their board to protect their investment. At a minimum, credit union members deserve to be fully and truthfully informed when they vote to dissolve their credit union and transfer their accounts and capital to another financial institution. Therefore, the rule not only provides for additional transparency with the regulator and members but also provides that if there is deceptive advertising about the merger, it may be the basis for a denial of the merger application.

FISCAL NOTE ON STATE AND LOCAL GOVERNMENTS. Karen Miller, General Counsel, has determined that for the first five-year period the proposed amendments are in effect, there are no reasonably foreseeable implications relating to cost or revenues of state or local governments under Government Code §2001.024(a)(4), as a result of enforcing or administering these amendments, as proposed.

PUBLIC BENEFIT/COST NOTE. Ms. Miller has determined, under Government Code §2001.024(a)(5), that for the first five-year period the amended rules are in effect, the public benefit of rule clarity will provide improved guidance to the industry. He further has determined there will be no probable economic cost to the credit union system or to persons required to comply with the rule.

IMPACT ON LOCAL EMPLOYMENT OR ECONOMY. There is no reasonably forecasted effect on local economy for the first five years that the proposed amendments are in effect. Therefore, no economic impact statement, local employment impact statement, nor regulatory flexibility analysis is required under Texas Government Code §§2001.022 or 2001.024(a)(6).

COST TO REGULATED PERSONS (COST-IN/COST-OUT). This rule proposal is not subject to Texas Government Code §2001.0045, concerning increasing costs to regulated persons, because this agency is a Self-Directed Semi-Independent (SDSI) agency under Finance Code Chapter 16 and is exempt from that cost provision.

ECONOMIC IMPACT STATEMENT AND REGULATORY FLEXIBILITY ANALYSIS FOR SMALL BUSINESSES, MICROBUSINESSES, AND RURAL COMMUNITIES. Mr. Kolhoff has also determined that for each year of the first five years the proposed amendment is in effect, there will be no reasonably forecasted adverse economic effect on small businesses, micro-

businesses, or rural communities as a result of implementing these amendments, and, therefore, no regulatory flexibility analysis, as specified in Texas Government Code §2006.002 is required.

**GOVERNMENT GROWTH IMPACT STATEMENT.** In compliance with Texas Government Code §2001.0221, the Board has prepared a government growth impact statement. Unless indicated below, for each year of the first five years that the rule will be in effect, the rule will not:

- create or eliminate a government program;
- require the creation of new employee positions or the elimination of existing employee positions;
- require an increase or decrease in future legislative appropriations to the agency;
- lead to an increase or decrease in the fees paid to the department;
- create new regulations;
- expand, limit or repeal existing regulations;
- increase or decrease the number of individuals subject to the rule's applicability;
- positively or adversely affect this state's economy.

**TAKINGS IMPACT ASSESSMENT.** No private real property interests are affected by this proposal, and the proposal does not restrict or limit an owner's right to his or her property that would otherwise exist in the absence of government action. Therefore, the rule does not constitute a taking under Texas Government Code §2007.043.

**ENVIRONMENTAL RULE ANALYSIS.** The proposed rule is not a "major environmental rule" as defined by Government Code, §2001.0225. The proposed rule is not specifically intended to protect the environment or to reduce risks to human health from environmental exposure. Therefore, a regulatory environmental analysis is not required.

**REQUEST FOR PUBLIC COMMENT.** Written comments on the proposed amendments may be submitted in writing to Karen Miller, General Counsel, Credit Union Department, 914 East Anderson Lane, Austin, Texas 78752-1699 or by email to [CUDMail@tud.texas.gov](mailto:CUDMail@tud.texas.gov). To be considered, a written comment must be received on or before 5:00 p.m. on the 31st day after the date the proposal is published in the Texas Register.

**STATUTORY AUTHORITY.** The amendments are proposed pursuant to Texas Finance Code, Section 15.402, which authorizes the Commission to adopt reasonable rules for administering Texas Finance Code, Title 2, Chapter 15 and Title 3, Subtitle D. Authority to adopt these amendments is found also in Texas Finance Code Sections 122.1531 and 122.156.

**STATUTORY SECTIONS AFFECTED.** The statutory provisions affected by the proposed amendments are contained in Texas Finance Code Chapter 15 and Title 3, Subtitle D specifically Finance Code, Sections 122.005, 122.151 - 122.156, and 124.003.



## Subchapter J. Changes in Corporate Status

### §91.1003. Mergers/Consolidations.

(a) Definitions. The following words and terms, when used in this section, shall have the following meanings, unless the context clearly indicates otherwise.

(1) Acquirer credit union - The credit union that will continue in operation after the merger/consolidation.

(2) Acquiree credit union - The credit union that will cease to exist as an operating credit union at the time of the merger/consolidation.

(3) Merger inducement – A promise by a credit union to pay to the members of another credit union a sum of money or other **[material] substantial** benefit upon the successful completion of a merger of the two credit unions. **This does not include a member dividend or interest rebate calculated under objective criteria and approved by the credit unions board of directors.**

**(4) Merger-related financial arrangement -- a substantial financial benefit received or to be received by any individual or entity, including any board or committee member or senior employee of Acquiree, conditioned upon a successful merger:**

**(A) paid or payable during the period beginning 24 months before the date the boards of directors of both credit unions approve the merger plan or paid during the merger or to be paid in the 24 month period after the merger;**

**(B) representing an addition or increase in direct or indirect compensation, such as salary, bonuses, leave, deferred compensation, early payout of retirement benefits, severance packages, retainers, service agreements, vesting of rights, non-compete agreements, insurance policy; or other contractual rights; or**

**(C) for honorarium(s), brokers fees, finders' fees or other financial rewards, before or after the merger.**

**(D) this term does not include benefits available to employees at will of the acquiree credit union on identical terms and conditions to acquirer's employees at will, should employment at will be continued.**

**[(4)] (5)** Substantial – An amount that is large in size, value, or importance. For purposes of this section, an amount is substantial if it exceeds **[\$1,000.00] \$10,000.00** in total.

(b) Two or more credit unions organized under the laws of this state, another state, or the United States, may merge/consolidate, in whole or in part, with each other, or into a newly incorporated credit union to the extent permitted by applicable law, subject to the requirements of this rule. A credit union may not offer a merger inducement **directly** to another credit union's members as a means of promoting a merger of the two credit unions.

(c) Notice of Intent to Merge/Consolidate.

**(1)** The credit unions shall notify the commissioner in writing of their intent to merge/consolidate within ten days after the credit unions' boards of directors formally agree in principle to merge/consolidate.

**(2) The Notice of Intent shall include a general description of any known merger related financial arrangements and any core processing contract termination of either credit union.**

(d) Plan for Merger/Consolidation. Upon approval of a proposition for merger/consolidation by the boards of directors, the credit unions must prepare a plan for the proposed merger/consolidation. The plan shall include:

(1) The terms and conditions of the merger/consolidation including a detailed description of any **[substantial remuneration, such as bonuses, deferred compensation, early payout of retirement benefits, severance packages, retainers, services agreements, or other substantial financial rewards or benefits that any board member or senior management employee of the acquiree credit union may receive in connection with the merger/consolidation]** **and all merger related financial arrangements and proposed or executed contracts related to the merger;**

(2) **A statement that the boards of directors and officers have satisfied their fiduciary duties to the credit unions members when making a decision to merge, they reviewed their duties as outlined in the Texas Credit Union Act and Rules for Credit Unions. (Texas Finance Code Section 122.061; Section 91.501(e) (2) and (3) of the Rules for Credit Unions and the Acquirer or Acquiree's bylaws).**

(3) **A short history of the background of merger discussions and deliberations with copies of any meeting minutes from beginning of negotiations through the plan and/ or merger resolution.**

(4) **For the Acquiree:**

**(A) general reason(s) Acquiree believes that merging, as the party ceasing to exist, is in the best interest of its members;**

**(B) other potential Acquirers that were evaluated by Acquiree,**

**(C) the Acquiree's criteria for selection of an ideal merger partner;**

**(D) if only one Acquirer was evaluated, a statement supporting that consideration of a sole candidate is in the best interest of Acquiree's membership.**

**(5) Support for the calculation of any merger related financial arrangements.**

**(6) [(2)]** The current financial reports of each credit union;

**(7) [(3)]** The combined financial reports of the two or more credit unions;

**(8) [(4)]** An analysis of the adequacy of the combined Allowance for Loan and Lease Losses account;

**(9) [(5)]** An explanation of any proposed adjustments to the members' shares, or provisions for reserves, dividends, or undivided profits;

**(10) [(6)]** A summary of the products and services proposed to be available to the members of the acquirer credit union, with an explanation of any changes from the current products and services provided to the members;

**(11) [(7)]** A summary of the advantages and disadvantages of the merger/consolidation;

**(12) [(8)]** the projected location of the main office and any branch location(s) after the merger/consolidation and whether any existing office locations will be permanently closed; and

**(13) [(9)]** Any other items deemed critical to the merger/consolidation agreement by the boards of directors.

**(14) If the Commissioner determines the merger to be an emergency, any specific plan requirements may be waived in order to assure uninterrupted service to members.**

(e) Submission of an Application to Merge/Consolidate to Department.

(1) An application for approval of the merger/consolidation will be complete when the following information is submitted to the commissioner:

(A) the merger/consolidation plan, as described in this rule;

(B) a copy of the corporate resolution of each board of directors approving the merger/consolidation plan;  
(C) the proposed Notice of Special Meeting of the members;  
(D) a copy of the ballot form to be sent to the members;  
(E) the current delinquent loan summaries for each credit union;  
(F) a statement as to whether the transaction is subject to the Hart-Scott Rodino Act premerger notification filing requirements; **[and]**

**(G) receipt of any additional information requested by the Commissioner;**  
**and**

**(H) [(G)]** a request for a waiver of the requirement that the plan be approved by the members of any of the affected credit unions, in the event the board(s) seek such a waiver, together with a statement of the reason(s) for the waiver(s).

(2) If the acquirer credit union is organized under the laws of another state or of the United States, the commissioner may accept an application to merge or consolidate that is prescribed by the state or federal supervisory authority of the acquirer credit union, provided that the commissioner may require additional information to determine whether to deny or approve the merger/consolidation. The application will be deemed complete upon receipt of all information requested by the commissioner.

(3) Notice of the proposed merger must be published in the *Texas Register* and Department Newsletter as prescribed in §91.104 (relating to Public Notice and Comment on Certain Applications).

(f) Commissioner Action on the Application.

(1) The commissioner may grant preliminary approval of an application for merger/consolidation conditioned upon specific requirements being met, but final approval shall not be granted unless such conditions have been met within the time specified in the preliminary approval.

(2) The commissioner shall deny an application for merger/consolidation if the commissioner finds any of the following:

(A) the financial condition **or operations** of the acquirer credit union before **or projected after** the merger/consolidation is such that it will likely jeopardize the financial stability of the merging credit union or prejudice the financial interests of the members, beneficiaries or creditors of either credit union;

(B) the plan includes a change in the products or services available to members of the acquiree credit union that substantially harms the financial interests of the members, beneficiaries or creditors of the acquiree credit union;

(C) the merger/consolidation would probably substantially lessen the ability of the acquirer credit union to meet the reasonable needs and convenience of members to be served;

(D) the credit unions do not furnish to the commissioner all information requested by the commissioner which is material to the application;

(E) the credit unions fail to obtain any approval required from a federal or state supervisory authority; **[or]**

**(F) the application or proposed notice to members is false, deceptive or misleading, after the ability to cure provisions as defined in §91.125(b) expire; or**

**(G) [(F)]** the merger/consolidation would be contrary to law.

(3) For applications to merge/consolidate in which the products and services of the acquirer credit union after merger/consolidation are proposed to be substantially the same as those of the

acquiree and acquirer credit unions, the commissioner will presume that the merger/consolidation will not significantly change or affect the availability and adequacy of financial services in the local community.

(g) Procedures for Approval of Merger/Consolidation Plan by the Members of Each Credit Union.

(1) The credit unions have the option of allowing their members to vote on the plan in person at a meeting of the members, by mail ballot, or both. With prior approval of the commissioner, a credit union may accept member votes by an alternative method that is reasonably calculated to ensure each member has an opportunity to vote.

(2) Members shall be given advance notice of the meeting in accordance with the credit union's bylaws. The notice of the meeting shall:

(A) specify the purpose of the meeting and state the date, time, and place of the special meeting;

(B) state the reasons for the proposed merger/consolidation;

(C) contain a summary of the merger plan and state that any interested person may obtain more detailed information about the merger from the credit union at its principal place of business, or by any method approved in advance by the commissioner;

(D) provide the name and location of the acquirer credit union;

(E) specify the methods permitted for casting votes; **[and]**

(F) if applicable, be accompanied by a mail ballot **and [.]**

**(G) merger related financial arrangements must be detailed on a separate page enclosed with the meeting notice, ballot and plan summary.**

(h) Completion of Merger/Consolidation.

(1) Upon approval of the merger/consolidation plan by the membership, if applicable, the Certificate of Merger/Consolidation shall be completed, signed and submitted to the commissioner for final authority to combine the records. Necessary amendments to the acquirer credit union's articles of incorporation or bylaws shall also be submitted at this time.

(2) Upon receipt of the commissioner's written authorization, the records of the credit unions shall be combined as of the effective date of the merger/consolidation. The board of the directors of the acquirer credit union shall certify the completion of the merger/consolidation to the commissioner within 30 days after the effective date of the merger/consolidation.

(3) Upon receipt by the commissioner of the completion of the merger/consolidation certification, any article of incorporation or bylaw amendments will be approved and the charter of the acquiree credit union will be canceled.

G.

## **G. DEPARTMENT'S FY 2025 BUDGET AND FINANCIAL PERFORMANCE**

**BACKGROUND:** Commissioner Riepen reported that in 2024 the Commission adopted a strategic plan for Fiscal Years 2025-2029. The \$5.9 million FY 2025 budget approved by the Commission in July 2024 includes the maintenance and operating budget and capital improvement budget in support of the Strategic Plan.

The following report highlights the Department's FY 2025 financial results for the period ending May 31, 2025. At the end of nine months total expenditures were \$420,219 or approximately 9.7 percent less than budgeted projections. The primary expense categories below budget estimates include Personnel Expenses (\$281,939) and Travel Expenses (\$86,237).

**RECOMMENDED ACTION:** No action is anticipated.

**Credit Union Department**  
**BY 2025 Budget Analysis**  
**For the Period Ended 05/31/25 Final**

	BY 2025 Budget	BY 2025 YTD Budgeted	BY 2025 YTD Actual	Budget Variance	Percent of YTD Budget
<b>REVENUES:</b>					
Operating Income					
Operating Fees	\$5,948,556	\$5,948,556	\$5,574,750	(\$373,806)	94%
Out-of-State Branch Fees	\$0	\$0	\$10,500	\$10,500	100%
Examination Fees	\$0	\$0	\$0	\$0	
Application Fees	\$0	\$0	\$0	\$0	
Penalties	\$0	\$0	\$331	\$331	
Other	(\$100,000)	(\$100,000)	(\$100,000)	\$0	
<b>Operating Income Subtotal</b>	<b>\$5,848,556</b>	<b>\$5,848,556</b>	<b>\$5,485,581</b>	<b>(\$362,975)</b>	<b>94%</b>
Interest Income (Operating Acct)	\$0	\$0	\$102,930	\$102,930	
Interest Income (Contingency Acct)	\$0	\$0	\$44,839	\$44,839	
<b>TOTAL REVENUES - FUNDS AVAILABLE TO COVER EXPENDITURES</b>	<b>\$5,848,556</b>	<b>\$5,848,556</b>	<b>\$5,633,350</b>	<b>(\$215,206)</b>	<b>96%</b>
<b>EXPENDITURES:</b>					
<b>Personnel Expenses:</b>					
Salaries and Wages	\$3,631,638	\$2,696,129	\$2,507,553	\$188,575	93%
Employee Benefits	\$1,110,313	\$832,735	\$739,371	\$93,364	89%
<b>Total Personnel Expenses</b>	<b>\$4,741,951</b>	<b>\$3,528,863</b>	<b>\$3,246,924</b>	<b>\$281,939</b>	<b>92%</b>
Travel Expenses:					
In State					
Examinations			\$0		
Training/Conferences			\$14,301		
Meetings			\$3,167		
Public Forums			\$0		
Other			\$2,133		
Total In-State	\$462,020	\$346,515	\$288,301	\$58,214	83%
Out-of-State	\$25,000	\$18,750	\$5,510	\$13,240	29%
Commission	\$24,000	\$18,000	\$3,126	\$14,874	17%
<b>Total Travel Expenses</b>	<b>\$511,020</b>	<b>\$383,265</b>	<b>\$296,937</b>	<b>\$86,328</b>	<b>77%</b>
<b>Other Operating Expenses:</b>					
Communication/Utilities	\$65,989	\$49,492	\$38,114	\$11,378	77%
Professional Services/Fees	\$236,183	\$177,137	\$128,985	\$48,152	73%
Supplies/Materials	\$74,532	\$55,899	\$64,036	(\$8,137)	115%
Printing and Reproduction	\$1,000	\$750	\$86	\$665	11%
Repairs/Maintenance	\$50,165	\$37,624	\$8,351	\$29,273	22%
Rentals and Leases	\$4,900	\$3,675	\$3,598	\$77	98%
Other Operating	\$162,817	\$77,863	\$107,319	(\$29,456)	138%
<b>Total Other Operating Expenses</b>	<b>\$595,586</b>	<b>\$402,440</b>	<b>\$350,488</b>	<b>\$51,951</b>	<b>87%</b>
<b>TOTAL EXPENDITURES</b>	<b>\$5,848,557</b>	<b>\$4,314,568</b>	<b>\$3,894,349</b>	<b>\$420,218</b>	<b>90%</b>
<b>REMAINING FUNDS TO COVER EXPENDITURES (Actuals)</b>			<b>\$1,739,001</b>		

H.



## **H. DEPARTMENT'S OPERATING PLAN AND FY 2026 BUDGET**

**BACKGROUND:** Finance Code Section 16.003 gives the Commission the exclusive responsibility for approving the Department's budget each year. Consistent with the FY 2026 Budget Assumptions approved by the Commission in March 2025, the following pages detail a proposed budget for FY 2026 of \$6,208,621 which represents a 4.37% increase from the FY 2025 budget.

The proposed budget includes strategic initiative funds for the funding of equity adjustments for certain staff positions (\$69,615), merit increases and anticipated promotions (\$174,448); the addition of a Compliance Analyst/Examiner position (\$54,600); estimated costs related to the buildout of the Department's server room (\$65,000); IT related equipment and maintenance (\$55,000); capital improvement funding for building maintenance and repairs (\$20,000); and funds to be utilized for contracted legal support and services costs (\$50,000).

**RECOMMENDED ACTION:** Staff recommends the Commission approve the proposed FY 2026 Operating Plan and Budget.

**RECOMMENDED MOTION:** I move that the Commission approve the proposed FY 2026 Operating Plan and Budget, with a total budget of \$6,208,621 and 36 FTEs.

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## BUDGET ASSUMPTIONS FOR BUDGET YEAR 2026

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The following broad assumptions will establish the foundation for the development of the Department's Budget Year (BY) 2026 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 2025 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) 2025 for which the requested services performed until after the start of FY 2026 are considered obligated funds. The budget authority for these obligated funds will automatically be carried over to BY 2026 and the BY 2026 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 2026-2030 strategic plan, the budget will provide appropriate funding to implement the delineated initiatives for FY 2026.
6. **Salary and Benefits** – The expenditures for FY 2026 will be based on authorized and existing positions as of April 30, 2025 and include any scheduled salary increases/promotions based on the satisfactory performance and progression of staff. Filled positions will be budgeted at the actual salary for the individual in that position and vacant examiner positions will be budgeted at the base salary level for a Financial Examiner (FE) III position. Vacant office positions and above FEIII level examiner positions will be budgeted at the midpoint of the salary range for those positions. Employee Benefits will be automatically calculated on all salaries with the appropriate benefit rates established for state agencies. The Department will also monitor legislative initiatives which could result in required legislative pay increases for State of Texas employees.
7. **Merit Increases** – To foster, support, and reward outstanding performance and to retain key high performing staff, aggregate merit increase awards

- for staff are estimated at an amount equivalent to 4.00% of the total salaries for those positions and will be awarded based on the established merit pay tiers. The corresponding increase in Employee Benefits, resulting from the proposed merit awards, will also be properly reflected in the budget. Funds for anticipated promotions for FY 2026 will be submitted as a separate strategic initiative in the FY 2026 budget which is proposed to the commission for consideration.
8. **Retiree Insurance Cost** – Retiree Insurance Cost are a result of staff retiring from the Department. Changes in retiree insurance costs are anticipated to be allowable budget adjustments.
  9. **Inflation Factor** –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 40% 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 and the Commissioner to NASCUS and other relevant regulatory related meetings. The annual budget for this category is currently \$25,000.
  12. **Commission Travel** – The number of preplanned commission meetings is currently three per year. The budgeted annual travel costs for these meetings are estimated at \$12,000. Additional audit committee travel costs of \$12,000, which were included within the FY 2023 and 2024 budget, are being removed. The commission meeting travel budget has been sufficient to cover all commission travel costs.
  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, etc.
  14. **Electronic Document Management System (EDMS)** – The budget shall provide for the costs associated with the ongoing development and maintenance of our EDMS (e.g., SharePoint).
  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. Strategic initiatives will be detailed in the final budget for the most significant anticipated items.

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 at an average cost of \$2,500 each. The budgeted amount includes costs associated with the purchase and set-up of each laptop and 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., legal subscriptions, etc.) to perform the duties of the position.

## SUMMARY OF PROPOSED FY 2026 BUDGET

Budget Needed to Continue Existing Services	\$5,719,958
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Strategic Initiatives:

Priority #1 – Promotions and Merit Increases	\$174,448
Priority #2 – Equity Adjustments	\$69,615
Priority #3 – Compliance Analyst/Examiner	\$54,600
Priority #8 – Contract Legal Services	\$50,000

Total Strategic Initiatives	\$348,663
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Replacement / Capital Improvement Plan:

Priority #4 – Server Room Buildout	\$65,000
Priority #5 – Modernization of Online Systems	n/a*
Priority #6 – IT Related Maintenance	\$55,000
Priority #7 – Building Maintenance/Repairs	\$20,000

*\*For commission awareness. Funding not included in FY2026 Budget. With commission approval, this initiative will be funded during fiscal years 2026 and 2027, using the Department's Reserve Fund.*

Total Replacement Capital Improvements	<u>\$140,000</u>
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<b>Grand Total Agency Requested Budget FY 2026</b>	<b>\$6,208,621</b>
<b>Grand Total Agency Budget FY 2025</b>	<b>\$5,948,556</b>
<b>\$ Increase versus FY 2025 budget</b>	<b>\$260,065</b>
<b>% Increase above FY 2025 budget</b>	<b>4.37%</b>

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

### FY 2026 Base Budget Reconciliation

Object of Expenses	Budget FY 2025	Adjustment	Base FY 2026
Salaries and Wages	3,631,638	<88,676> <sup>1</sup>	3,542,962
Payroll Related Costs	1,110,312	<24,473> <sup>2</sup>	1,085,839
Travel	511,020	<49,492> <sup>1a</sup>	461,528
Professional Services/Fees	236,183	<6,683> <sup>3</sup>	229,500
Supplies/Materials	74,532	<1,532> <sup>3a</sup>	73,000
Communication/Utilities	65,989	<9,650> <sup>4</sup>	56,339
Repairs/Maintenance	50,165	<42,925> <sup>5</sup>	7,240
Rentals and Leases	4,900	<400> <sup>6</sup>	4,500
Printing and Reproduction	1,000	0	1,000
Other/State of Texas Services	162,817	<4,767> <sup>7</sup>	158,050
Contingency Reserve	100,000	0	100,000
<b>Grand Total</b>	<b>\$5,948,556</b>	<b>&lt;\$228,598&gt;</b>	<b>\$5,719,958</b>

<sup>1</sup>Reduced FY 2026 baseline salary and wages costs by \$88,676 based on projected salary costs for FY 2026 based on budget assumptions, 4% salary increase approved for commissioner at Nov. 2024 commission meeting, projected merit/promo increases of \$16,241 for remainder of FY 2025, a \$5k estimated reduction in pay for the hourly part-time position, an estimated decline in longevity pay of \$5k due to the retirement of two longer term employees in FY 2025, and an estimated \$6,800 reduction in travel stipend costs.

<sup>2</sup>Decrease in Payroll Related Costs of \$24,473 primarily to an est. \$11,968 reduction in Emp. Retire., a \$13,320 est. decline in CUD contribution of employ. insurance, a decline of \$443 in Addit. PR Retire. Contrib., a \$7,972 drop in PR Health Inc. Contrib., a \$3,978 increase in FICA Employ. Match Contrib., etc.

<sup>1a</sup>Decreased \$49,492 due to 5% downward budget adjustment for in-state travel due to budgeted overage in FY 2024 and FY 2025 and improve efficiencies and reduce costs. There as an additional \$12,500 reduction for out of state travel and a \$12,000 reduction with commission travel (part of budget assumptions). Also, did not include CPI increase of 2.0% which is a normal budget assumption.

<sup>3</sup>Reduced \$6,683 due to a \$3,683 reduction in educational costs (#7243); and an \$8,000 reduction in contract services (#7242) for ACT consulting fees which are declining. Costs under Computer/Programs (#7275) increased \$5k to cover increases in data processing costs with our IT provider.

<sup>3a</sup>Decrease of \$1,532 due to total reduction of \$3,932 in consumables, subscriptions & software; & \$2,400 est. increase in laptop refresh and associated costs.

<sup>4</sup>Reduction in Communications/Utilities after reduction in cell phone costs of \$10,400 (i.e., hot spots not purchased), a \$400 increase for monthly phone costs for office and \$350 in costs added to monthly utilities tied to the CPI of 2%.

<sup>5</sup>Baseline reduced \$42,925 due to \$15k reduction in #7262, a \$30,525 reduction in #7266, a \$2k increase in #7267 and \$600 increase in #7271.

<sup>6</sup>Decrease of \$400 in this category due to being under budget last two years.

<sup>7</sup>\$15,128 reduction in other operating costs, a \$3k reduction in training & registration costs, and a \$13,200 increase in state services costs.

## OVERVIEW OF AGENCY REQUESTED FY 2026 BUDGET

### Proposed Budget with Strategic Initiatives

Object of Expenses	Base Budget	Strategic Initiatives	Budget Request
Salaries and Wages	3,542,962	245,960	3,788,922
Payroll Related Costs	1,085,839	52,703	1,138,542
Travel	461,528	0	461,528
Professional Services/Fees	229,500	0	229,500
Supplies/Materials	73,000	36,000	109,000
Communication/Utilities	56,339	0	56,339
Repairs/Maintenance	7,240	47,000	54,240
Rentals and Leases	4,500	0	4,500
Printing & Reproduction	1,000	0	1,000
Other/State of Texas Services	146,850	107,000	253,850
Contingency Reserves	100,000	0	100,000
<b>Grand Total</b>	<b>\$5,719,958</b>	<b>\$488,663</b>	<b>\$6,208,621</b>

**Percentage Increase above FY 2025 Budget**

**4.37%**

### Operating Fees and Proposed Expenditures

Estimated Operating Fees	\$6,029,952 <sup>1</sup>
Proposed Expenditures	\$6,208,621
Est. FY 2026 Operating Fee Adjustment	Shortage \$178,669
Est. % Operating Fee Adjustment	Increase 2.96%

<sup>1</sup>Using assets as of March 31, 2025. Actual fees/revenue will be based on assets as of June 30, 2025. **Note:** As required by Commission policy, staff have reviewed all fees established by Rule 97.113 and recommends that the Commission make no changes to the annual operating fee structure.

## POTENTIAL REVENUE

### Estimated Operating Fees and Other Revenue Sources

Estimated Operating Fees	\$6,029,952 <sup>1</sup>
Estimated Interest Income from Deposits	\$134,244 <sup>2</sup>
Estimated Income from Remedial Exams	\$53,035 <sup>3</sup>
<b>Total Estimated Revenue</b>	<b>\$6,217,231</b>

<sup>1</sup>Using assets as of March 31, 2025 and based on 100% of calculated operating fees. Actual fees/revenue will be based on assets as of June 30, 2025. In accordance with 7 TEX. ADMIN. CODE 97.113(b), the commissioner may increase the fee schedule as needed to match revenue with appropriations. An increase greater than 5% shall require prior approval of the commission

<sup>2</sup>Based on interest income earned through first half of Fiscal Year 2025 of \$95,888.57. That amount was then annualized and multiplied by a factor of 70 percent to conservatively allow for reductions in future interest rates on deposits.

<sup>3</sup>Estimated income on remedial exams based on the average number of remedial exam days for Fiscal Year 2023, Fiscal Year 2024 and Fiscal Year 2025 (through 04-30-25 and annualized) of 189.41 days. The average remedial days for the last three fiscal years were then multiplied by the \$50 per hour examination fee provided by current commission rules. The total was then multiplied by a conservative factor of 70 percent to allow for situations where the commissioner may waive the remedial examination fees.

### Estimated Revenues and Proposed Expenditures

Total Estimated Revenue	\$6,217,231
Proposed Expenditures	\$6,208,621
<b>Est. FY 2026 Net Revenue</b>	<b>\$8,610</b>



## REVENUE HISTORY<sup>1</sup>

### 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

### Fiscal Year 2025

Total Fees Prescribed by Rule 97.113*	\$5,948,556*
\$ Installment Adjustment Permitted	<\$388,274 >
% Operating Fee Installment Adjustment	6.5%
Actual Assessment Collected	\$5,560,282

*\*The fee schedule was increased by 4.87161 percent in accordance with the commissioner's authority under 7 TAC 97.113(b).*

<sup>1</sup>Operating revenue history based on operating fees only. It does not include funds received from interest on agency deposits or from other sources.

## PERFORMANCE/KEY MEASURES

Measure	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025 YTD - 2/25
Number of Credit Unions	175	173	168	165	161
Credit Union Total Assets (billions)	\$54.2	\$59.0	\$57.5	\$58.5	\$58.9
Percent Increase in Credit Union Total Assets	11.5%	8.9%	-2.5%	1.7%	0.7%
Average Regulated Assets per Examiner (billions)	\$3.56	\$3.85	\$3.59	\$3.44	\$3.46
Number of Examinations	144	148	137	144	75
Percent of Credit Unions Examined	82%	86%	82%	87%	47%
Percent of Credit Union Assets Examined (based on assets at last regular exam)	93%	90%	92%	96%	39%
Number of Remedial Exams	26	38	36	31	16
Percent of Credit Unions Rated 1 or 2 (CAMELS)	89%	86%	87%	85%	86%
% of Assets in 1 or 2 Rated Credit Unions (CAMELS)	95%	98%	98%	89%	93%
Percent of Well-Capitalized Credit Unions	99%	98%	99%	99%	99%
Number of Credit Unions Rated 3, 4, or 5 (CAMELS)	19	25	22	25	22
Annual Examiner Turnover*	23.2%	17.3%	22.7%	15.9%	5.1%
Average Tenure of Departing Examiners (Mos.)	99	51	19	122**	6
Number of Examiners Hired	3	3	5	4	1
Annual Staff Turnover	10.9%	14.2%	24.2%	12.7%	3.2%
# of Formal Training Days	290	294	321	412	71
# of Applications Processed	100	79	65	97	25
Number of Requests – Interpretation/Opinion	0	1	0	1	0
Number of Public Information Requests	30	40	37	44	11
# of Written Credit Union Complaints Processed	323	344	400	604	332
Department Costs/\$100k Assets	\$6.50	\$6.61	\$7.42	\$8.44	TBD

\*Excludes retirements.

\*\*Includes retirements.

# STRATEGIC INITIATIVE FUNDING REQUEST

## #1

Initiative Name: **Merit Increases (includes promotions)**  
Priority: **1**

Merit Increases and Promotions	
Objects of Expense	Estimated Costs
Salary & Wages (Merit and Promotions)	\$147,213
Payroll Related Costs	\$27,235
<b>Total</b>	<b>\$174,448</b>

*\*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 in assets. The average asset size of a Texas chartered credit union has increased approximately 53.8 percent over the last six years, from \$230.5 million at fiscal year-end 2018, to \$354.5 million as of August 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 Department’s merit pay program and staff promotions have traditionally been some 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 during the budgeted fiscal year. The last merit increases for staff were budgeted in the FY 2025 Budget. During FY 2026, 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.

Funding 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 the retention of key staff members.

In the absence of a merit-based pay program and opportunities for career progression through promotions, 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 by 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 4.0 percent Merit Pool for Department staff when approving the FY 2025 budget assumptions at its March 2025 Commission meeting. Because of funds that will be necessary for anticipated promotions during FY 2026 and a higher number of less tenured (< 3 years) staff and examiners currently on-staff, we will be allocating some of the funds from the merit pool for staff promotions. Because of the amount needed to pay for appropriate merit increases and anticipated promotions, we are requesting an additional 0.50 percent be approved by the Commission to be added to the Merit Pool. This will bring the total Merit Pool for Department staff to 4.50 percent.

If approved, it is proposed that the merit and promotion funds be utilized to compensate employees anticipated to hit certain tenure/experience thresholds during FY 2026 which have typically resulted in merit/promotion pay increases applicable to their positions.

# STRATEGIC INITIATIVE FUNDING REQUEST

## #2

Initiative Name: **Equity Adjustments**  
Priority: **2**

Equity Adjustments	
Objects of Expense	Estimated Costs
Salary & Wages (Equity Adjustments)	\$58,747
Payroll Related Costs (Equity Adjustments) *	\$10,868
<b>Total</b>	<b>\$69,615</b>

*\* Payroll related costs estimated at 18.5% 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 in assets. The average asset size of a Texas chartered credit union has increased approximately 53.8 percent over the last six years, from \$230.5 million at fiscal year-end 2018, to \$354.5 million at fiscal year-end 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. For Fiscal Years 2021 through 2024, examiner turnover figures were elevated, averaging 19.8 percent. This means that one out of every five examiners have left the Department during the prior four fiscal years. Offering an attractive overall benefit package, including a competitive salary, is a key component affecting examiner retention.

The Commission approved the Department’s budget assumptions for Fiscal Year (FY) 26 which were presented to them at their March 2025 Commission meeting. As part of those assumptions, the commissioner proposed a 4.0 percent Merit Pool for staff increases for the upcoming FY26. Those funds will be utilized to recognize the performance of all Department staff through merit payments and promotions. However, after compiling the proposed budget, the commissioner is requesting an additional 0.50 percent be added to the Merit Pool. In addition, equity adjustment funding for some field staff positions who are being compensated below their peer level, is also being requested.

Similar to last year's budgetary 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, the Department is proposing to establish a pool to fund equity adjustments for certain examiner positions. All proposed compensation adjustments will be to provide parity (with comparable positions at other similar state and federal agencies).

Funding 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 the retention of key staff members.

In the absence of a competitive pay program, there is the risk of discouragement for staff. 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:**

The complexity of work required by 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.

To improve compensation parity with other financial regulators, we are proposing that a separate pool be established for equity adjustments. Charts (Tables 1, 2 and 3) depicting salary comparisons for similar examiner positions at other state and federal agencies are as follows:

<b>Table 1:</b>		CUD Examiner Salaries	Department of Banking (DOB)	Comparison	
Position	Salary Group	CUD Base Salary (FY 2025)	Base Salary (FY 2025)	\$ Diff. CUD vs. DOB (FY 2025)	% Diff. CUD vs. DOB (FY 2025)
Financial Examiner I	B17	\$61,932	\$64,469	-\$2,537	-3.94%
Financial Examiner II	B19	\$69,351	\$71,870	-\$2,519	-3.50%
Financial Examiner III	B21	\$76,879	\$77,805	-\$926	-1.19%
Financial Examiner IV	B23	\$88,058	\$92,496	-\$4,438	-4.80%
Financial Examiner V	B25	\$92,871	\$107,579	-\$14,708	-13.67%

<b>Table 2:</b>		CUD Examiner Salaries	Department of Savings and Mortgage Lending (SML)	Comparison	
Position	Salary Group	CUD Base Salary (FY 2025)	Median Base Salary (FY 2025)	\$ Diff. CUD vs. SML (FY 2025)	% Diff. CUD vs. SML (FY 2025)
Financial Examiner I	B17	\$61,932	\$61,200	+\$732	+1.20%
Financial Examiner II	B19	\$69,351	\$66,150	+\$3,201	+4.84%
Financial Examiner III	B21	\$76,879	\$76,665	+\$214	+0.28%
Financial Examiner IV	B23	\$88,058	\$84,840	+\$3,218	+3.79%
Financial Examiner V	B25	\$92,871	\$95,778	-\$2,907	-3.04%



Table 3:		CUD Examiner Salaries	NCUA	Comparison	
Position	Salary Group	CUD Base Salary (FY 2025)	Mid-point W/Min. Locality Adj. of 16.32%*	\$ Diff. CUD vs. NCUA (FY 2025)	% Diff. CUD vs. NCUA (FY 2025)
Financial Examiner I	B17	\$61,932	\$62,564	-\$632	-1.01%
Financial Examiner II	B19	\$69,351	\$77,223	-\$7,872	-10.19%
Financial Examiner III	B21	\$76,879	\$98,830	-\$21,951	-22.21%
Financial Examiner IV	B23	\$88,058	\$114,263	-\$26,205	-22.93%
Financial Examiner V	B25	\$92,871	\$132,000	-\$37,119	-28.12%
*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 2025 locality pay adjustments provided for NCUA examiners in Texas metropolitan cities range from 24.32 percent to 46.06 percent, depending upon where the NCUA examiner is headquartered (i.e., Austin, Dallas, Houston or San Antonio).

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 27.26 percent is paid a salary of \$101,808).

**Table 4: Federal Locality Pay in Texas – 2025**

<b>Pay Area</b>	<b>Locality Rate</b>
Houston	46.06%
Dallas	38.25%
Austin	30.32%
San Antonio	24.32%
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 situations. However, the Department often finds itself in an almost continual process of hiring and replacing examiners who leave before they have reached a 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 2021 through February 2025, along with the average tenure of departed examiners are displayed in Table 5 below:

**Table 5: Examiner Turnover**

Performance Measure	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025 (02-28- 2025)
Annual Examiner Turnover*	23.2%	17.3%	22.7%	15.9%	5.1%
Average Tenure of Departed Examiners (Mos.) **	99	51	19	122	6
No. of Examiners Hired	3	3	5	4	1

\*Excludes examiner(s) who retired.

\*\*Includes examiners who retired.

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 persistent drain on the agency's resources. Needless to say, a reduction of examiner turnover could improve examination quality and 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: Employee Survey (Pay and Job Satisfaction)**

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, as well as the Department of Banking for the State of Texas. 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 most of the requested funds for equity adjustments to the first five tiers of financial examiner positions, and any office positions where equity adjustments are determined to be necessary when comparing the current salaries of those positions to our state and federal counterparts. The approval of this funding in conjunction with the Fiscal Year 2026 budget will improve compensation parity relative to other Texas agencies with similar positions as well as the salaries being paid to federal credit union examiners. The equity adjustments for the impacted positions will range between 3 percent and 6 percent, with the total dollar amount allocated not to exceed the total amount requested under this strategic initiative.

**Proposed Equity Adjustment and Base Level for Financial Examiners I-IV (FEI-IV)**

Under this Salary Plan there are proposed base pay levels (annualized) for the Financial Examiner I through IV positions, as follows:

<u>Examiner Type</u>	<u>Equity Adj. %</u>	<u>Base Pay w/adj. (annualized)</u>
Financial Examiner I	4%	\$64,380
Financial Examiner II	4%	\$72,126
Financial Examiner III	4%	\$79,951
Financial Examiner IV	4%	\$91,581
Financial Examiner V	6%	n/a*

\*Financial Examiner V base pay level is dependent on the examiner's level of pay when promoted to that position coupled with a 3% to 7% increase in pay. The increase amount is based on the recommendation of their supervisor and approval of the increase by the commissioner.

## STRATEGIC INITIATIVE FUNDING REQUEST #3

Initiative Name: Compliance Analyst/Examiner  
Priority: **3**

Compliance Analyst	
Objects of Expense	Estimated Cost Increase
Salary and Wages	\$40,000*
Payroll Related Costs	\$14,600**
<b>Total</b>	<b>\$54,600</b>

*\*Based on the approximate mid-point for a FEIV Examiner position.*

*\*\*Based on 18.5 percent payroll related costs and benefits (\$40,000 x 18.5% = \$7,400), plus an additional \$7,200 per year per employee to cover the CUD's contribution for a new employees' health insurance. This is the increase from a current admin. clerk position that will not be filled.*

**Description/Justification:** The Department is proposing this position to enhance our regulatory oversight of Texas chartered credit unions, as it pertains to their compliance with applicable state and federal regulations. The addition of this office position will not increase the Department's number of Full-Time Equivalent employees, as an open administrative assistant position will not be filled. However, it is anticipated that agency salary costs will increase by approximately \$40,000 above the current administrative assistant level and the associated benefits costs will increase as well.

The addition of a Compliance Analyst/Examiner will provide for a skilled full-time equivalent whose primary job functions will be to focus on processing applications and providing recommendations to office management, reviewing credit unions' compliance with various state and federal regulations, and reviewing complaints from members of Texas chartered credit unions. As part of the complaint review processes, this position will also assess whether credit unions are complying with key aspects of state and federal regulations (e.g., Texas Rule for Credit Unions, Reg. E, Truth in Lending, Fair Credit Reporting Act. etc.) and determine whether a broader scope review is needed at upcoming regular or remedial examinations for certain complaints or applications. As this new position becomes more tenured, application processing may be transferred from the Executive Assistant position to this position. Types of applications to be processed include bylaw amendments, requests for waivers, subordinate debt requests and merger applications.

The addition of this position will provide some relief to the complaint processing duties currently being handled by the General Counsel and will

afford that position the ability to focus more on other legal related issues, such as compliance, policy review and rulemaking. It will also enhance the examination process in the area of compliance, as this individual may review the compliance aspect of credit union operations at the larger, more complex credit unions. Lastly it will ensure that applications are thoroughly reviewed and documented under existing regulations prior to referral to the commissioner.

## STRATEGIC INITIATIVE FUNDING REQUEST #4

Initiative Name: Contracted Legal Services  
Priority: 8

Legal Services	
Objects of Expense	Estimated Cost Increase
Total Contract	\$50,000*
<b>Total</b>	<b>\$50,000</b>

**Description/Justification:** The Commissioner is proposing this initiative to enhance our capabilities to address complex legal issues/situations as they may arise. The Department's current General Counsel is retiring at the end of July 2024, and this initiative will allow our office to contract for legal services with the current General Counsel after her departure.

The complexity of credit union related issues has increased at a rapid pace over the last three to four years. Credit union merger and field of membership requests no longer adhere to a general, or one-dimensional, process but instead include many very multifaceted factors which can result in an inordinate amount of time being needed by Department staff to complete these reviews. Also, these types of requests require a diversified level of experience and understanding of intricate aspects of credit union operations, strong analytical abilities and a sound understanding of legal implications.

The approved funding of this initiative will allow for additional legal support and guidance, and provide expertise and assistance in the areas of:

- Administrative rules,
- Department policies,
- Contracts,
- Complex merger requests,
- Complex field of membership requests,
- Complaint reviews/responses, and
- Other aspects of Department operations.

# REPLACEMENT/CAPITAL IMPROVEMENT PLAN FY 2026 - 2028

## FY 2026

<b><u>Proposed Capital Improvements:</u></b>	<b><u>Estimated Cost</u></b>
Priority #4: Server Room Buildout	\$65,000
Priority #5: Modernization of Online Systems	n/a
Priority #6: IT Related Maintenance(hardware/software)	\$55,000
Priority #7: Misc. Building Maintenance/Repairs	\$20,000
 <b>Total Funds Requested for Capital Expenditures from FY 2026 Budget</b>	 <b>\$145,000</b>

### **Server Room Buildout – Priority #4**

Server Room Buildout	
Objects of Expense	Estimated Costs
Construction	\$30,000
New Air Conditioning Unit	\$10,000
Network Cabling	\$17,000
Miscellaneous	\$8,000
<b>Total</b>	<b>\$65,000</b>

The funding of this capital improvement will provide improved security for the hardware of the Department’s core operating system(s). The current server room window has been shattered twice, and additional security is needed to prevent easy access to the server room after vandalism. Additionally, relocating the server room to the current supply room provides additional office space for future staffing at the main office.



### **Assess and Modernize Online Systems – Priority #5**

<b>Assess and Modernize Online Systems</b>	
<b>Objects of Expense</b>	<b>Estimated Costs</b>
Hardware and Software	\$100,000
<b>Total</b>	<b>\$100,000</b>

*\*Once the actual amount of necessary funding is known, the commissioner will present this cost to the Commission for formal approval. Further, it is anticipated the funding of this initiative will be requested from the Department's reserve funds.*

This item is being included in the Fiscal Year 2026 Budget to provide awareness to the Commission of the new requirements on how Texas agencies serve the public and the potential associated costs. The purpose of this initiative will be to fulfill the requirements of House Bill #5195, which was passed during the 89<sup>th</sup> legislative session. Effective September 1, 2025, it is anticipated the bill will be signed into law, thus requiring state agencies to assess and improve their digital services, ensuring better accessibility to all, modernizing navigational processes, and removing unnecessary paper and manual processes with digital/automated solutions, etc. The first important step in achieving compliance with this law will be to complete a self-assessment of our website and our digital services; and to submit a modernization plan to the Department of Information Resources by September 1, 2026 which details our proposed improvements, as well as a timeline for completion.

Although this initiative is required and of high priority, the Department has not yet had the opportunity to fully assess the requirements and costs of this legislative mandate. Further, this capital improvement initiative is included in our Fiscal Year 2026 Budget, as costs associated with this new law are expected during both of the next two fiscal years. Although the costs of this initiative are unknown at this time, a rough estimated amount is being provided in this year's budget to ensure the Commission is aware of this initiative. Once an accurate assessment is completed of the changes to be made to our digital services and the costs associated with this initiative are known, the commissioner may request approval from the Commission for funding of this initiative from the Department reserve funds.

## **IT Related Maintenance – Priority #6**

<b>Hardware, Software and Services</b>	
<b>Objects of Expense</b>	<b>Estimated Costs</b>
Hardware	\$28,000
Software and Services	\$27,000
<b>Total</b>	<b>\$55,000</b>

The funding of this capital improvement is necessary to maintain the Department's network protection functionality and protection protocols. Funds are allocated \$27,000 (increased from 15,000) for related services and to maintain and update software; and \$28,000 (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 as an ongoing annual cost (\$15,000 for hardware and \$15,000 for software and services) 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 BY 2025 and BY 2026 Budget assumptions due to an oversight. Some of the proposed Capital Improvements under this initiative for FY 2026 will include:

### ➤ **Items Included in Fiscal Year 2025 Budget - Not Purchased**

#### **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

#### **Services:**

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

### ➤ **Items to be Purchased in Fiscal Year 2026**

#### **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

**Building Maintenance – Priority #7**

<b>Building Maintenance</b>	
<b>Objects of Expense</b>	<b>Estimated Costs</b>
General Maintenance	\$20,000
<b>Total</b>	<b>\$20,000</b>

**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 of FY 2026 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.

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**FY 2027**

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

**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 annual 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.

**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 of FY 2027 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.

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**FY 2028**

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

**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 annual 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.

**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 of FY 2028 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.



Credit Union Department  
State of Texas

FY 2026 Annual Operating Plan & Budget

Approved by the Credit Union Commission  
On: \_\_\_\_\_

\_\_\_\_\_

## **FY 2026 Annual Operating Plan & Budget**

### **INTRODUCTION**

In accordance with Chapter 16 of the Finance Code, the Department has crafted the following *FY 2026 Annual Operating Plan and Budget*. This document aligns the goals and measures developed for the Department's *Strategic Plan for Fiscal Years 2025-2029* 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, 2024, the Department was responsible for regulating and supervising 162 credit unions. Based on the year-end call reports, Texas-chartered credit unions held \$58.9 billion in assets or approximately 37 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.

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

## **FY 2026 Annual Operating Plan & Budget**

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 1: 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.



## FY 2026 Annual Operating Plan & Budget

### Key Performance Measures

- Percentage of credit unions receiving regular examination annually
  - Target for FY 2026: **75%**
- Percentage of applications approved or denied within 60 days
  - Target for FY 2026: **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 2026: **85%**
- Percentage of assets held in credit unions with CAMEL ratings of 1 or 2
  - Target for FY 2026: **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 2026: **95%**
- Percentage of reports mailed to credit unions within 25 days
  - Target for FY 2026: **98%**
- Percentage of total available work time utilized to conduct both regular and remedial examination work
  - Target for FY 2026: **70%**
- Average Cost per Credit Union Examination
- Assets Examined per Examiner Day
  - Target for FY 2026: **\$19.1 million\***
- Average time to complete analysis of quarterly financial data
  - Target for FY 2026: **within 40 days after the submittal deadline for the most recent 5300 Call Report**

\*Same as FY 2025 target which was based on FYE 2024 results. Will be amended for FY 2026, based upon 95% of actual level realized for FYE 2025.

### 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:

1. drafting, amending, and implementing rules to fulfill Legislative directives and to ensure relevance to current conditions;

## **FY 2026 Annual Operating Plan & Budget**

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 2026: **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
- Number of public forums in which the Department participates
- Total Assets in state-chartered credit unions

## **FY 2026 Annual Operating Plan & Budget**

- Percentage increase in total aggregate credit union assets
- Percentage of interpretations/opinions issued within 30 days
  - Target FY 2026: **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 include 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 2026: **85%**

**\*The number and complexity of complaints has increased at a rapid pace during the last several years, making it more difficult to achieve the previously targeted level of 95%.**

### 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 2026: 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.

## FY 2026 Annual Operating Plan & Budget

2. improving contingency planning for business continuity, including information technology recovery, compliance with Homeland Security requirements, and crisis management strategies; and
3. achieving reliable, accurate and timely financial resources management information.

### Internal Measures

- Annual examiner turnover rate
  - Target FY 2026: **16%**
- Average regulated assets per examiner (billions)
  - Target FY 2026: **\$3.3 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 2026: **Professional Services - 23.7%; Other Services - 26.0%; and Commodities - 21.1%**
- Percentage of credit unions indicating quality service annually
  - Target FY 2026: **90%**
- Staffing level
  - Target FY 2026: **95%**
- Number of jobs fairs attended
  - Target FY 2026: **2**
- Turnover ratio (excluding retirements)
  - Target FY 2026: **Less than 15%**
- Accreditation by NASCUS Maintained in Good Standing
  - Target FY 2026: **Yes**
- Total Department costs relative to every \$100,000 in assets regulated
  - Target FY 2026: **\$8.87\*\***

\*The FY 2025 amount of \$3.1 billion per examiner was based on regulated assets as of March 31, 2024 divided by 19 examiners (fully staffed). As of February 28, 2025, the actual YTD FY 2025 figure is \$3.5 billion based on staffing levels (currently short 1 examiner) which have occurred throughout the fiscal year. Once the open field examiner position is filled, this will reduce the existing level to \$3.3 billion, based on regulated assets as of February 28, 2025, divided by 18 examiners (fully staffed).

\*\*Target based on FY 2024 cost of \$8.44/\$100k of regulated assets times 105% during the fiscal year. The moderate level of remote work has resulted in restricted travel and greatly reduced costs for several years. However, the cost did increase in FY 2024 as more exams were conducted on-site resulting in a rise in travel costs. It is anticipated more exams will be conducted on-site for FY 2025 vs. FY 2024 and examiner travel costs for FY 2025 will increase compared to FY 2024 levels. The FY 2025 costs have not yet been computed as we have not reached the FYE.

## FY 2026 Annual Operating Plan & Budget

DEPARTMENT BUDGET – FY 2026		
REVENUE:		
Operating Fees		\$6,029,952 <sup>1</sup>
Examination Fees		
Application Fees		
Penalties		
Refund/Reimbursement of Expenditures		
Other		\$178,669
TOTAL REVENUE		\$6,208,621
EXPENDITURES:		
Personnel Expenses		
Salaries and Wages	\$3,788,922	
Payroll Related Costs	1,138,542	
Total Personnel Expenses		\$4,927,464
Travel Expenses		
In State	\$437,028	
Out-of-State	12,500	
Commission	12,000	
Total Travel Expenses		\$461,528
Other Operating Expenses		
Professional Services/Fees	\$229,500	
Materials and Supplies	109,000	
Communications/Utilities	56,339	
Repairs/Maintenance	54,240	
Rentals and Leases	4,500	
Printing and Reproduction	1,000	
Other Expenditures	265,050	
Contingency Reserve Funding	100,000	
Total Other Operating Expenses		\$819,629
TOTAL EXPENDITURES		\$6,208,621
CONTINGENCY RESERVE AS OF April 30, 2025		\$1,349,136
FULL-TIME-EQUIVALENT POSITIONS (FTEs)		36.0

<sup>1</sup> 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 be allocated in accordance with the applicable Commission policies and rules.

**FY 2026 Annual Operating Plan & Budget**

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CUMULATIVE RESOURCES						
Budget Year	2020	2021	2022	2023	2024	2025
Authorized FTE	30.0	30.0	31.0	33.0	35.0	36.0
Actual FTE	29.0	27.0	27.5	30.0	33.0	33.5*
Budgeted Dollars	\$4,445,694	\$4,307,682	\$4,894,832	\$5,057,455	\$5,556,986	\$5,948,556
Actual Dollars Spent	\$3,898,009	\$3,524,092	\$3,895,886	\$4,268,776	\$4,938,510	TBD

\*As of June 1, 2025.

I.



# **I. STATUS OF THE STATE CREDIT UNION SYSTEM**

**BACKGROUND:** The Texas economy continues to perform satisfactory during the first part of 2025 and the economic outlook remains generally optimistic. The Texas Workforce Commission reported in May 2025 that the Texas labor market achieved a record high number of jobs for the fifth consecutive month, with over 14.32 million nonfarm jobs being reported for April. The annual nonfarm growth rate in Texas is 1.5 percent, which exceeds the national rate of 0.3 percent. Over the twelve month period ending February 2025, Texas added 182,300 nonfarm jobs which was the most of any state in the nation.

The unemployment rate for Texas was 4.1 percent at the end of May 2025, which is slightly below the national average of 4.2 percent. Also, the unemployment rates for three of the four metropolitan areas in Texas remained at or below the state level. The Austin-Round Rock-San Marcos area led the metro regions with a reported unemployment rate of only 3.3 percent, followed closely by the San Antonio and Dallas Fort Worth areas which reported unemployment levels of 3.7 percent.

Additionally, a recent economic snapshot by the Texas Governor's Office as of February 2025 reported a strong job market in Texas with more Texans working than ever before. Several employment statistics provided in the report included the following:

- Texas reached a historic high labor force of 15.77 million.
- Texas reached a new high for total nonfarm jobs of 14.2 million.
- For 2024, the Texas economy grew faster than the nation as a whole, growing at a rate of 3.5 percent, which was well above the U.S. average of 2.4 percent.

**INDUSTRY PERFORMANCE:** Overall, the financial performance of Texas chartered credit unions remains sound. During the first quarter of 2025, several financial performance trends which were previously in a declining mode began to stabilize or improve. Specifically, loan delinquency concentrations for Texas credit unions declined by approximately 25 percent compared to year-end 2024 levels, while loan losses and earning performance trends remained relatively stable during the same timeframe. The improvement and stabilization of these financial trends is particularly significant given the fact that each of these measurements had deteriorated consistently during the prior 24 to 36 months.

The Return on Average Assets Ratio, a primary measurement of earnings performance, was 0.53 percent as of March 31, 2025. This is approximately one-half of the average level for Texas credit unions of 0.96 percent, just over two years ago (December 31, 2022). The decline in earnings trends over the prior three years was driven by a rapid rise in funding costs, loan loss expenses which were over 2.5 times higher than year-end 2022 levels, and a consistent rise in operating costs. However, those adverse earnings variables have begun to stabilize or improve, which could result in higher net income levels for Texas charters during the second half of 2025 and into 2026. Several key trends for Texas credit unions are provided below:

Key Ratio	2019	2020	2021	2022	2023	2024	Mar. 25
Net Worth/Total Assets	11.10	10.36	10.43	10.90	11.34	11.53	11.44
Delinquent Loans/Total Loans	0.71	0.75	0.52	0.61	0.81	1.02	0.80
Net Charge-Offs/Average Loans	0.69	0.57	0.36	0.37	0.59	0.80	0.82
Return on Average Assets	0.88	0.70	1.08	0.96	0.69	0.54	0.53

Although financial performance trends are showing signs of possible improvement, it remains essential for credit unions to proactively monitor and adapt to the economic and financial environment to safeguard the financial interests of millions of Texas credit union members.

**INDUSTRY STATUS:** As of **March 31, 2025**, there were **161** state-chartered credit unions in Texas reporting, down four charters from the previous twelve months. Assets in these credit unions totaled **\$60.03 billion**, an increase of **\$1.29 billion** since **March 31, 2024**, for an annualized growth rate of **2.2 percent**. The aggregate net worth ratio for Texas credit unions is **11.44 percent**, up from the **11.27 percent** level of twelve months ago.

Loans for Texas chartered credit unions totaled **\$43.24 billion** as of **March 31, 2025**. This is an increase of **\$0.81 billion** since **March 31, 2024**, for an annualized growth rate of **1.9 percent**.

Shares for Texas chartered credit unions totaled **\$50.80 billion** as of **March 31, 2025**. This is an increase of **\$1.28 billion**, or **2.6 percent** since **March 31, 2025**.

Texas chartered credit unions average loan delinquency ratio rose significantly to **0.80 percent** as of **March 31, 2025**, compared to a ratio of **0.70 percent** as of **March 31, 2024**.

For **March 31, 2025**, **31** state-chartered credit unions reported net losses year to date of **\$9.48 million**, while the remaining **130** credit unions reported aggregate net

income of **\$87.66 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 (03-31-2025)	% Profitable (03-31-2024)	% Profitable (03-31-2023)	% Profitable (03-31-2022)
\$1 Billion & Over	18	14	78%	94%	94%	94%
\$500 to \$999.9 Million	16	13	81%	73%	93%	100%
\$250 to \$499.9 Million	13	10	77%	71%	100%	100%
\$100 to \$249.9 Million	24	17	71%	76%	96%	92%
\$50 to \$99.9 Million	19	17	89%	85%	84%	91%
\$10 to \$49.9 Million	42	37	88%	80%	89%	83%
Under \$10 Million	29	22	76%	77%	75%	57%
Totals	161	130	81%	79%	89%	84%

**PROBLEM INSTITUTIONS:** As of **March 31, 2025**, 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, 2024**. These institutions represent **13.7 percent** of charters and **7.06 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, 2025**, the Department had the following administrative sanctions outstanding:

Dividend Restrictions	<b>0</b>
LUAs	<b>0</b>
Determination Letters	<b>2</b>
Conservatorships	<b>0</b>
Cease and Desist	<b>3</b>

### **CHARTERING ACTIVITY**

New Charters*	<b>0</b>
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**\*Since last commission meeting**

**RECOMMENDED ACTION:** No formal action is anticipated.

**J.**

## **J. CHAIR APPOINTMENTS**

### **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 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 Vice Chair position, Commissioner Evaluation Committee, Rules Committee and Audit Committee as presented.

**K.**

## **K. LEGAL UPDATE**

### **Pending Litigation and Administrative Appeals**

- *Credit Union Department v. Ken Paxton, Attorney General of Texas, Cause No. D-1-GN-21-007168.*
- *Cooperative Teachers Credit Union v. Credit Union Department, State Office of Administrative Hearings; Docket No. 469-23-07487.*
- Pending Open Records Request – Merger of Space City Credit Union Into Texas Dow Employees Credit Union
- Consumer Complaints Summary





### **Notice of Meeting of the Members of Space City Credit Union**

The Board of Directors of Space City Credit Union have called a special meeting of the members at 3101 Harrisburg Boulevard, Houston, TX 77003 on May 14, 2025, at 5:30 PM CST. All mailed in ballots must be received by May 13, 2025 at 5:30 PM CST to be counted.

The meeting will have two purposes:

- To consider and act upon a plan and proposal for merging Space City Credit Union, with and into TDECU, the continuing credit union.
- To approve the action of the Board of Directors of our credit union in authorizing the officers of our credit union, subject to member approval, to carry out the proposed merger.

The Board of Directors encourages you to attend the meeting and vote on the proposed merger. Whether or not you plan to attend the meeting, we urge you to sign, date and properly return the enclosed ballot in the enclosed postage paid envelope to vote on the proposed merger.

If the merger is approved, our credit union will transfer all its assets and liabilities to TDECU. As a member of our credit union, you will become a member of TDECU following the completion of the merger. On the completion date of the merger, you will receive shares in TDECU for the shares you now own in our credit union.

Your Board of directors recommends that you vote "yes" on the merger.

If you wish to submit comments about the merger to share with other members, you may submit them to the National Credit Union Administration at:

- <https://www.ncua.gov/support-services/credit-union-resources-expansion/credit-union-merger-resources/comments-proposed-credit-union-mergers>
- Office of Credit Union Resources and Expansion (CURE), NCUA, 1775 Duke Street, Alexandria, VA 22314.

The NCUA will post comments received from members on its website along with the member's name, subject to the limitations and requirements of its regulations.

**Other Information Related to the Proposed Merger:** The Board of Directors has carefully evaluated and analyzed the assets and liabilities of the credit unions and the value of shares in both credit unions. The financial statements of both credit unions, as well as the projected combined financial statement of the continuing credit union, follow as separate documents. In

addition, the following information applies to the proposed merger.

***Reasons for merger:***

The Board of Directors has concluded that the proposed merger is desirable and in the best interest of members because:

- \$ 5,000,208 (over five million dollars) Member Dividend to Space City members.
- TDECU will rebrand to Space City, preserving the name and brand identity.
- More resources to strengthen community partnerships.
- Retaining and expanding the Space City branch network to 35 greater Houston branches.
- Enhanced technology to improve the member experience.
- More resources to address and adapt to industry changes and challenges.
- Larger organization means enhanced employee and career opportunities.
- Increased efficiencies and cost savings.
- Maintain and expand Space City's Field of Membership.
- More product and service offerings.

For the above reasons, the Board of Directors of Space City Credit Union believes the merger is in the best interest of its members.

**Net Worth:** Space City and TDECU have strong net worth positions. Space City, as the merging credit union, has a higher net worth ratio than TDECU, prior to merger related dividends and lump sum payments. The combined organization will remain well-capitalized. The table below shows net worth calculations:

Item	Space City	TDECU	After Merger
Net Worth as of 09/30/2024	19,328,059	481,391,425	500,719,484
Assets	140,269,401	4,835,296,940	4,975,566,341
Pre-merger payments Net Worth Ratio	13.78%	9.96%	10.06%
Less merger dividend to members	-5,000,208		-5,000,208
Less lump sum payments to Space City executives	-5,900,000	-850,000	-6,750,000
Closing Net Worth	8,427,851	480,541,488	488,969,276
Post merger adjustment(s) net worth ratio	6.01%	9.94%	9.84%

***Share Adjustment or Distribution:***

The board of directors of Space City has determined to distribute a portion of Space City Credit Union's net worth as a dividend equal to \$5,000,208 to its members in the merger (the "Special Member Dividend"). Eligible members must:

- have an account that was opened at Space City as of March 31, 2024 and that remains open until the allocation of the Special Dividend; and
- have an account in good standing, not having a charge-off, or delinquent loan greater than sixty (60) days as of the dividend payment date.

The amount of the Special Member Dividend you receive will be based on your combined Share balances at month end March 31, 2024 ("Balances"). The Special Member Dividend you would receive will be calculated and distributed as follows:

- (i) A minimum of \$100 and maximum of \$1,000.
- (ii) Balances equal to or under \$289.27 receive \$100.
- (iii) Balances over \$2,892.68 receive \$1,000.
- (iv) Balances between \$289.27 and \$2,892.68 will receive a dividend equal to 34.57% of their Balance.

***Locations of merging and continuing credit union:***

Space City Credit Union's current office and main branch is located at 3101 Harrisburg, Houston, TX 77003. The office and existing branches will remain open post merger and continue to serve current Space City Credit Union members as well as any new members. Texas Dow Employees Credit Union has 35 branches, surcharge-free ATMs at all current branches, as well as access to more than 55,000 surcharge-free ATMs at Allpoint locations throughout the country. A list of offices and branches is attached to this notice.

***Merger related financial arrangements:***

Name of Employee receiving benefit(s), position and starting year at Space City	Description of Financial Arrangement	Amount Involved
Craig B. Rohden President Since 1994	Lump sum payable by Space City prior to Closing	\$3,500,000
	Early Vesting of Split Dollar Arrangement (Executive Benefit)	No increase in benefit
	Lump sum payable by TDECU following Closing under a transition and 2-year non-compete agreement.	\$500,000
Nikki Moore-Owens Sr. Vice President Since 2008	Annual salary increase based on similarly situated employees of TDECU. Employee at-will.	\$55,000
	Lump sum payable by Space City prior to Closing	\$1,900,000
	Lump sum payable by TDECU under a transition, retention and 2-year non-compete agreement.	\$350,000
Paula Newkirk Vice President Since 2007	Annual salary increase based on similarly situated employees of TDECU. Employee at-will.	\$100,751
	Lump sum payable by Space City. Employee at-will.	\$500,000

Name of Employee receiving benefit(s), position and starting year at Space City	Description of Financial Arrangement	Amount Involved
Michelle Williams Vice President of Administration Since 2022	Annual salary increase based on similarly situated employees of TDECU. Employee at-will.	\$24,867
Tifini Abshire Accounting Manager Since 2018	Annual salary increase based on similarly situated employees of TDECU. Employee at-will.	\$24,432

In honor of his retirement and in recognition and appreciation of his long-tenure and outstanding performance, Space City's Board of Directors has approved the payment above to Craig Rohden, CEO, for his thirty (30) years of visionary leadership, driving the credit union's growth from \$4 million to \$142 million in assets. Mr. Rohden will not be employed post-merger with TDECU, and will receive a lump sum of \$3.5 million which is the estimated amount of compensation had he remained with Space City until retirement. In addition, TDECU will pay a lump sum of \$250,000 per year for a total of \$500,000 in consideration for a two-year non-compete, non-solicit agreement aligned with his compensation.

Nikki Moore-Owens has been with Space City for sixteen (16) years and is the Chief Operating Officer. In recognition and appreciation of her long-tenure and outstanding performance in assisting the credit union's growth and performance, Space City's Board of Directors has approved the payment above of \$1.9 million. This payment represents \$118,750 for each year of employment. In addition, TDECU will pay a lump sum of \$175,000 per year for a total of \$350,000 in consideration for a two-year non-compete, non-solicit, retention agreement aligned with her compensation. Nikki Moore-Owens will continue with TDECU as Senior Vice President.

Paula Newkirk, Vice President of Lending and Member Solutions, and third officer in command, has been with Space City for seventeen (17) years. In recognition and appreciation of her long-tenure and outstanding performance in assisting the credit union's growth and performance, Space City's Board of Directors has approved the payment above of \$500,000. This payment represents \$29,411 for each year of employment. Paula Newkirk will continue with TDECU as Vice President.

All Space City employees will be evaluated and their hourly rates/salaries increased to be based on similarly situated employees at TDECU.

This is a summary of the Merger Plan. Any interested person may obtain more detailed information about the merger from Space City or Texas Dow Employees Credit Union's offices.

Members can also request this information from the Credit Union Department at 914 E. Anderson Lane, Austin Texas 78752, 512-837-9236 or by email to [cudmail@tud.texas.gov](mailto:cudmail@tud.texas.gov).

Please note that the proposed merger must have the approval of the majority of members who vote.

Enclosed with this Notice of Special Meeting is a Ballot for Merger Proposal and an envelope with prepaid postage. If you cannot attend the meeting, please complete the Ballot, and return it to CUBallot Election Processing PO Box 3156, Dublin, OH 43016. To be counted, your Ballot must be received by May 13, 2025 at 5:30 PM CST.

BY THE ORDER OF THE BOARD OF DIRECTORS:

*Mick Lay*

Mick Lay, Board Chairman

March 28, 2025

Date:



### Ballot for Merger Proposal

Name of Member: \_\_\_\_\_

Account Number or Unique ID Number Assigned: \_\_\_\_\_

This ballot must be received by mail at the address below by May 13, 2025 at 5:30 PM CST, or you may personally vote at the special meeting on May 14, 2025 at 5:30 PM CST. Enclosed is an envelope with prepaid postage for your convenience.

**Please mail to:**

CUBallot Election Processing  
PO Box 3156  
Dublin, OH 43016

I have read the Notice of Special Meeting for the members of **Space City Credit Union**. The meeting will be held on the above date to consider and act upon the merger proposal described in the notice.

**I vote on the proposal as follows (check one box):**

☐ **Approve** the proposed merger and authorize the Board of Directors to take all necessary action to accomplish the merger.

☐ **Do not approve** the proposed merger.

Signed: \_\_\_\_\_

Member's Name Print: \_\_\_\_\_

Date: \_\_\_\_\_

## LOCATIONS AFTER MERGER

<b>Space City Main Branch</b> 3101 Harrisburg Blvd. Houston, TX 77003	<b>Space City La Porte Branch</b> 1030 Independence Parkway S. La Porte, TX 77571	<b>Space City Clute Branch</b> 216 Lakeview Dr. Clute, TX 77531
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### TDECUC Locations (Added)

<b>Lake Jackson (Main)</b> 1001 FM 2004 Rd. Lake Jackson, TX 77566	<b>Missouri City</b> 9109 Sienna Crossing Dr. Missouri City, TX 77459	<b>Champion Forest</b> 5503 FM 1960 West, Ste. 108 Houston, TX 77069
<b>Bay City</b> 4205 7th St. Bay City, TX 77414	<b>Cypress Miramesa</b> 20510 West Rd, Ste. 1100 Cypress, TX 77433	<b>Cougars</b> 4455 University Dr, Ste. 144 Houston, TX 77204
<b>Brazoria</b> 1601 N. Brooks St. Brazoria, TX 77422	<b>Katy/Cinco Ranch</b> 24250 Cinco Ranch Blvd. Katy, TX 77494	<b>Woodlands - Six Pines</b> 9595 Six Pines Drive, Ste. 1500 Woodlands, TX 77380
<b>CHS</b> 521 S. 16th St. West Columbia, TX 77486	<b>Rosenberg</b> 24706 SW Freeway Rosenberg, TX 77471	<b>Spring Gosling</b> 5250 FM 2920, Ste. E Spring, TX 77388
<b>Freeport</b> 1701 N Brazosport Blvd. Freeport, TX 77541	<b>Sugar Land</b> 2109 Hwy 6, Ste. E100 Sugar Land, TX 77478	<b>Heights</b> 428 W. 19th St. Houston, TX 77008
<b>Angleton</b> 2900 N Velasco St. Angleton, TX 77515	<b>Westheimer</b> 10952 Westheimer Rd. Houston, TX 77042	<b>Greenway</b> 3800 SW Fwy, Ste. 100 Houston, TX 77027
<b>Pearland</b> 9915 Broadway St. Pearland, TX 77584	<b>Fort Worth</b> 4312 Town Center Drive Fort Worth, TX 76115	<b>Hallettsville</b> 1627 N Texana St. Hallettsville, TX 77964
<b>Texas City</b> 6151 Gulf Fwy (IH-45) Texas City, TX 77591	<b>Garland</b> 1920 Northwest Highway Garland, TX 75041	<b>Port Lavaca</b> 2318 W Main St. Port Lavaca, TX 77979
<b>Preston</b> 322 Preston Ave. Pasadena, TX 77503	<b>Cuero</b> 1001 E Broadway St. Cuero, TX 77954	<b>Victoria Navarro</b> 7800 N. Navarro St. Victoria, TX 77904
<b>Baytown/Garth</b> 6011 Garth Rd, Ste. A Baytown, TX 77521	<b>Edna</b> 624 South Wells St. Edna, TX 77957	<b>Yoakum</b> 601 Huck St. Yoakum, TX 77995
<b>Victoria - Rio Grande</b> 1514 E. Rio Grande St. Victoria, TX 77901	<b>Victoria Mockingbird</b> 1401 E Mockingbird Lane Victoria, TX 77904	

## Texas Dow Employees Credit Union Merges with Space City Credit Union as of 9/30/2024

ASSETS	Space City	Texas Dow	Combined	Merger Related Adjustments	Merged CU
Cash	1,405,889	22,117,296	23,523,185		\$ 23,523,185
Cash on Deposit	19,335,240	465,436,271	484,771,511	\$ (6,750,000)	\$ 478,021,511
Time and Other Deposits	749,853	-	-		
Equity Securities	-	17,751,023			
Available-for-Sale Debt Securities	-	36,967,265			
Held-to-Maturity Debt Securities	6,151,207	-			
Allowance for Credit Losses on Investment Securities	-228,059	-			\$ -
Total Membership and Paid In Capital	111,151	932,810	1,043,961		\$ 1,043,961
All Other Investments	-	15,452,600			
Total Loans and Leases	98,835,783	4,137,927,475	4,236,763,258		\$ 4,236,763,258
Loans and leases-merger contra asset	-121,027		-121,027		\$ (121,027)
Loans-Negative Shares	66,086		66,086		\$ 66,086
Total Loans and Leases - Loss Allowance	-461,298	-43,728,947	-44,190,245		\$ (44,190,245)
Foreclosed and Repossessed Assets	297,858	4,167,003	4,464,861		\$ 4,464,861
Land and Building	3,247,275	44,727,875	47,975,150		\$ 47,975,150
Other Fixed Assets	374,422	18,514,067	18,888,489		\$ 18,888,489
NCUA Share Insurance Capitalization Deposit	1,216,563	35,195,483	36,412,046		\$ 36,412,046
Intangible Assets	201,957	12,238,779	12,440,736		\$ 12,440,736
Pre Merger goodwill	1,459,975	3,771,516	5,231,491		\$ 5,231,491
All other Assets	7,626,526	63,826,424	71,452,950		\$ 71,452,950
<b>Assets</b>	<b>140,269,401</b>	<b>4,835,296,940</b>	<b>4,975,566,341</b>	<b>-6,750,000</b>	<b>4,968,816,341</b>
					\$ -
LIABILITIES AND EQUITY	Space City	Texas Dow	Combined	Merger Related Adjustments	Merged CU
Accounts Payable, Accrued Interest on Borrowings, & Other Liabilities	370,329	104,236,666	104,606,995		\$ 104,606,995
Other Borrowings	-	256,000,000			\$ -
Share Drafts	18,837,182	1,057,822,717	1,076,659,899		\$ 1,076,659,899
Regular Shares	49,151,434	1,219,805,104	1,268,956,538	5,000,208	\$ 1,273,956,746
Money Market Shares	23,085,364	277,617,212	300,702,576		\$ 300,702,576
IRA/KEOGH Accounts without Defined Maturities	4,014,197	133,125,211	137,139,408		\$ 137,139,408
All Other Shares	968,680	-			\$ -
Non-Member Deposits	-	13,308,106			\$ -
Share Certificates	23,394,883	1,296,120,436	1,319,515,319		\$ 1,319,515,319
IRA/KEOGH Certificates	1,244,128	-			\$ -
Total Liabilities	121,066,197	4,358,035,452	4,479,101,649	5,000,208	\$ 4,484,101,857
Equity	19,203,204	477,261,488	496,464,692	-11,750,208	\$ 484,714,484
					\$ -
<b>Total Liabilities and Equity</b>	<b>140,269,401</b>	<b>4,835,296,940</b>	<b>4,975,566,341</b>	<b>-6,750,000</b>	<b>4,968,816,341</b>
<b>Assets</b>	<b>140,269,401</b>	<b>4,835,296,940</b>	<b>4,975,566,341</b>	<b>-6,750,000</b>	<b>4,968,816,341</b>
<b>Net Worth</b>	<b>19,328,059</b>	<b>481,391,425</b>	<b>500,719,484</b>	<b>-11,750,208</b>	<b>488,969,276</b>
<b>Net Worth Ratio</b>	<b>13.78%</b>	<b>9.96%</b>	<b>10.06%</b>		<b>9.84%</b>

Payment	Reductions to Combined Net Worth	
	Total Amount	Notes
Liquidating Dividend Space City	\$ (5,000,208.00)	Reduction of Space City net worth; converted to Space City shares
Merger related SCCU Executive Payouts Space City	\$ (5,900,000.00)	Reduction of Space City net worth and assets; Cash payment to Space City executives
Merger related SCCU Executive Payouts TDECU	\$ (850,000.00)	Reduction of TDECU net worth and assets; Cash payment to Space City executives
<b>TOTAL Reduction in Combined Net Worth</b>	<u><u>\$ (11,750,208)</u></u>	



# Public Comments on TDECU and Space City Merger

<https://www.regulations.gov/comment/NCUA-2025-0032-0003>

I am against this merger for 2 reasons. First, members of the now combined Teachers Federal Credit Union with Space City Credit Union were made numerous promises and assurances which were all fabricated. None of the promised items happened and our service has significantly declined. Student accounts were closed because they didn't meet the standards of Space City Credit Union. Second, TDECU history over the past 10 years is horrible - numerous data breaches have occurred causing untold financial consequences to members. Their customer service is worse than Space City Credit Union. Looking at the merger documents, it appears that this merger is all about the current President and Vice Presidents receiving a very significant buyout at the expense of Member's earnings.

<https://www.regulations.gov/comment/NCUA-2025-0032-0004>

I am enthusiastic about this merger. Having been with Space City for 30 years (since the Stewart & Stevenson days), I've witnessed continuous improvements in the services provided. This merger will ensure the long-term viability of my credit union. Lets get it done!

<https://www.regulations.gov/comment/NCUA-2025-0032-0007>

Credit unions are non-profit organizations established for the mutual benefit of their members. It's counterintuitive to believe that executives would profit from a merger, especially considering the CEO received a salary, bonus structure (percentage of ROA), benefits, retirement, and flexible/hybrid work allowances. Their service has been fairly compensated.

We've long discussed leaving due to the below-market dividend rates, but the personal relationship with the staff somewhat balanced the issue. However, over the past few years, we've moved our money out and are seriously considering leaving altogether.

Mergers should solely benefit the membership, not reward executive teams fairly compensated for their contributions and years of service based on the credit union's asset size. The "Special Member Dividend" appears to be an attempt to gain votes and pass the

merger instead of addressing the persistent below-market dividend rates, rising number of fees, and lack of up-to-date technology.

<https://www.regulations.gov/comment/NCUA-2025-0032-0006>

Our Brazosport Teachers FCU merged with Space City Credit Union. We are in Clute/Lake Jackson/Freeport. This is where Texas Dow headquarters is located. Don't you think if we wanted an account with TDECU we would already have one. Most of us left TDECU to open accounts at BTFCU because TDECU is horrible. I am not in favor of this merger at all. If it happens there will be a mass exodus - either because they already have accounts at TDECU or they don't want to have them.

<https://www.regulations.gov/comment/NCUA-2025-0032-0005>

A year ago, Space City reduced its interest rate on deposits to 0.1%, despite other financial institutions paying over 3%. Space City leadership claimed that they couldn't afford the higher rates. However, examining the exit payments to Space City officers, one could easily conclude that the Board had authorized a buildup in funds for lump-sum payments to executives. I thought Credit Unions were set up to benefit members. The executive payments do not reflect this ethos. The value of my funds at Space City has eroded with inflation to enrich officers.

# TDECU's Strategy Change: Drops Bank Deal, Shifts Focus With Space City Merger

CEO Isaac Johnson delays rebrand plans to explore merger opportunities with other credit unions in the Houston market.

By **Peter Strozniak** | July 14, 2025 at 05:11 PM

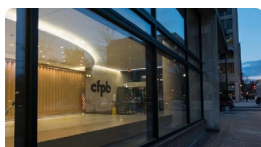


## Houston

When the merger of the \$134 million Space City Credit Union was finalized with the \$4.7 billion TDECU in Houston on June 1, the planned acquisition of the \$1.3 billion Sabine State Bank & Trust Co. in Many, La., was called off three days later on June 4, which also led to a delay in the credit union's rebranding plans and a strategic shift.

expected to be finalized in early 2025. Nevertheless, TDECU President/CEO Isaac Johnson said the proposed agreement rolled into regulatory speed bumps that would have stretched the final approvals to the end of this year or early next year.

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“The regulatory process just became too long,” Johnson said in a *CU Times* interview. “So for the continued health of both organizations and clarity to the market we decided to mutually walk away and mutually terminate the agreement ... because going to an almost two-year regulatory approval process, it just wasn't prudent for either organization.”

Johnson said TDECU is focused on additional credit union merger opportunities within its market that will bring value to members of both organizations.

The initial strategic rationale for TDECU's acquisition of Sabine Bank was to diversify the credit union's loan commercial loan portfolio and expand into the Louisiana market. Had this second largest deal been consummated, it would have marked the first

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Johnson noted credit union-bank acquisitions have come under more scrutiny from regulators.

In December, following discussions with Georgia regulators, [the \\$2.4 billion Atlanta Postal Credit Union called off its proposed deal](#) to purchase the \$911 million Affinity Bank in Covington. That purchase agreement was announced in May.

What's more, the Independent Community Bankers of America (ICBA) has intensified its opposition to these transactions. The organization has argued that tax-exempt credit unions acquiring tax-paying community banks is a dangerous trend. To derail it, the ICBA has urged Congress to hold hearings and consider an exit fee on credit union purchases of tax-paying banks to recapture lost tax revenue. In March, ICBA also proposed a new policy urging lawmakers to eliminate the federal tax exemption for credit unions with more than \$1 billion in assets or to establish tax parity with community banks.

In a separate and unrelated transaction, Space City members in May approved consolidating with TDECU, which will expand the credit union's market reach in East Houston and its membership by more than 12,000, bringing the total to nearly 400,000. TDECU is the fourth largest financial cooperative in the Lone Star State.

[When TDECU initially announced the merger](#) last September, the credit union planned to rename itself Space City Financial Credit Union.

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merging,” Johnson said it was decided to delay the rebrand. For now, the Houston-based Space City continues to operate as a division of TDECU.

“As management, we wanted to remain agile as we continue to have conversations with other credit unions going forward. The Space City brand is a strong brand and I want to be very clear that we’re not walking away from that brand,” Johnson explained. “We will continue to have elements of that brand going forward. We slowed down our rebrand journey so that we can align with a growth strategy and future opportunities. The new brand will reflect who we are and where we’re going.”

Aside from the rebranding, some Space City members opposed the merger after reading compensation details disclosed in merger documents filed with the NCUA.

For example, Space City’s board of directors approved a lump sum of \$3.5 million to former Space City President/CEO Craig Rohden. This represented the estimated amount of compensation he would have received had he remained with the credit union until retirement. TDECU also agreed to pay Rohden an additional lump sum of \$500,000 as part of a two-year noncompete and nonsolicitation agreement.

The board said these payments were warranted due to Rohden’s 30-year tenure, during which the credit union grew from \$3.8 million to \$134 million in assets. Loans increased from \$2.8 million to nearly \$93 million, and membership expanded from 2,720 to

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In addition, the board approved a payment of \$1.5 million to CEO Nikki Moore-Owen, with TDECU paying her an additional \$350,000 for a two-year noncompete, nonsolicitation and retention agreement. Moore-Owen will continue with TDECU as an SVP. Paula Newkirk, former vice president of lending and member solutions, received a board-approved payment of \$500,000 and will remain with TDECU as vice president.

The board said Moore-Owen and Newkirk's compensation packages were justified based on their tenure and performance in advancing the credit union's growth.

However, some Space City members strongly disagreed with the executive payouts.

"Credit unions are nonprofit organizations established for the mutual benefit of their members," John and Ramona Van Leeuwen wrote in their comment letter. "It's counterintuitive to believe that executives would profit from a merger, especially considering the CEO received a salary, bonus structure (percentage of ROA), benefits, retirement and flexible/hybrid work allowances. Their service has been fairly compensated."

In another comment letter, Hester Wende wrote, "Looking at the merger documents, it appears that this merger is all about the current president and vice presidents receiving a very significant buyout at the expense of members' earnings."

*Peter Strozniak can be reached at [pstrozniak@cutimes.com](mailto:pstrozniak@cutimes.com).*

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## Credit Union Times.

For questions about Credit Union Times, please call 800-458-1734 (9:00am-5:30pm ET, Monday through Friday, except holidays), or send an email to [CreditUnionTimes@omeda.com](mailto:CreditUnionTimes@omeda.com).



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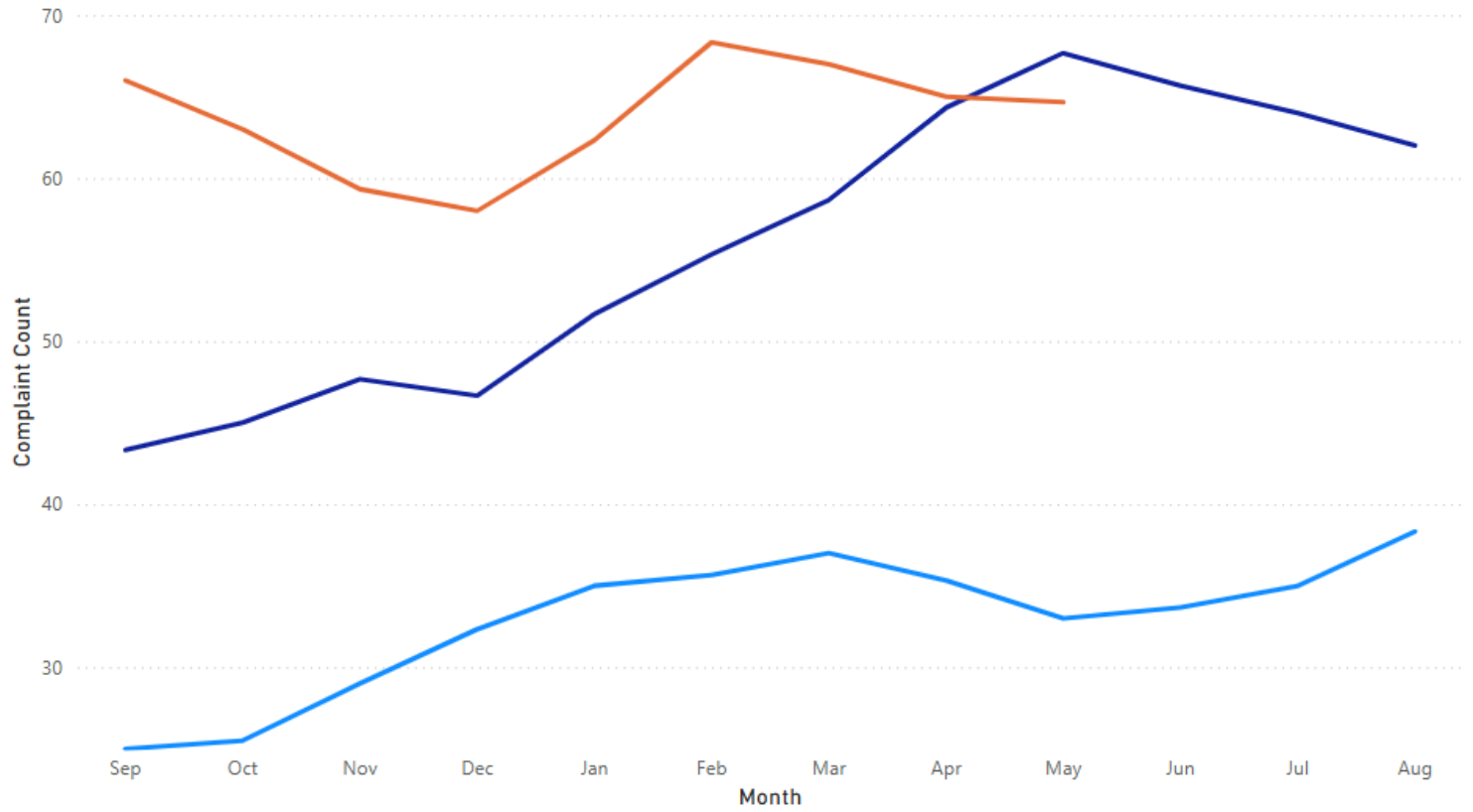


# **Credit Union Department Complaints Analysis**



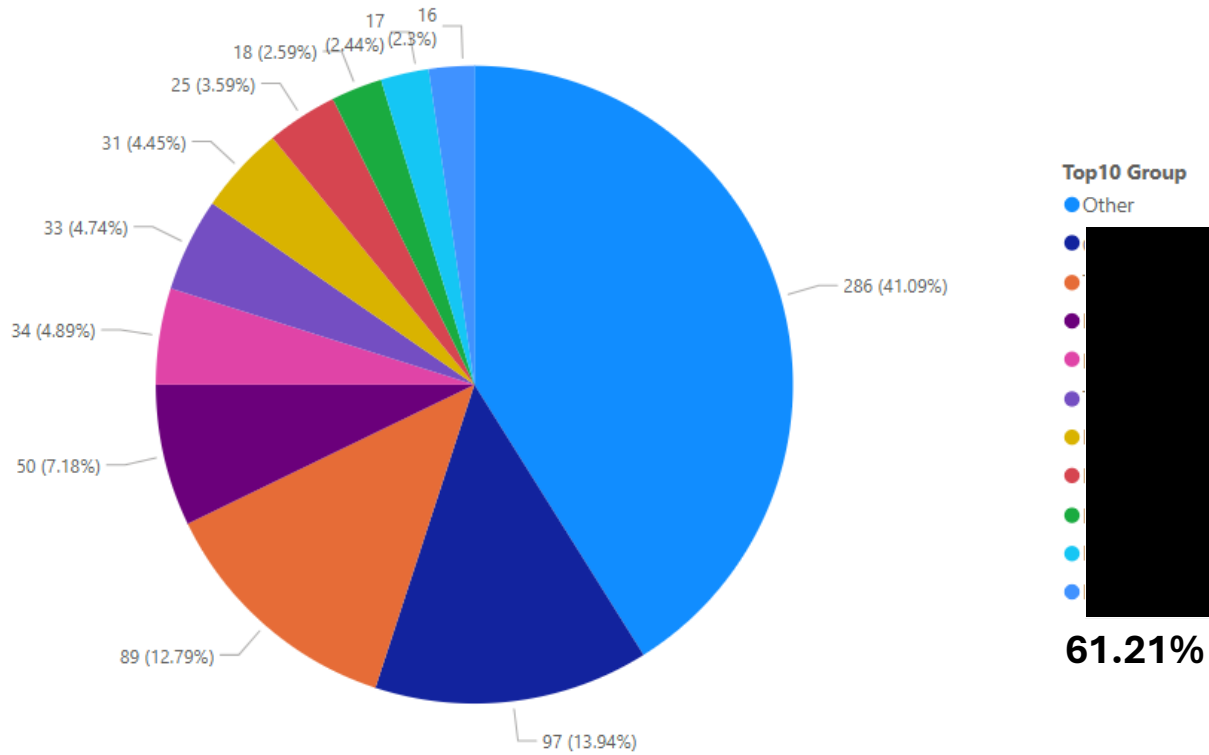
## Complaints Trend: FY 23-25

FiscalYear ● FY2023 ● FY2024 ● FY2025



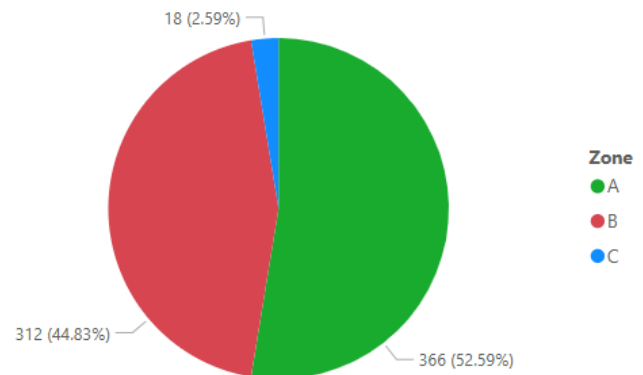
# 2025

## Percentage of Complaints by Credit Union – Top 10 vs. Others



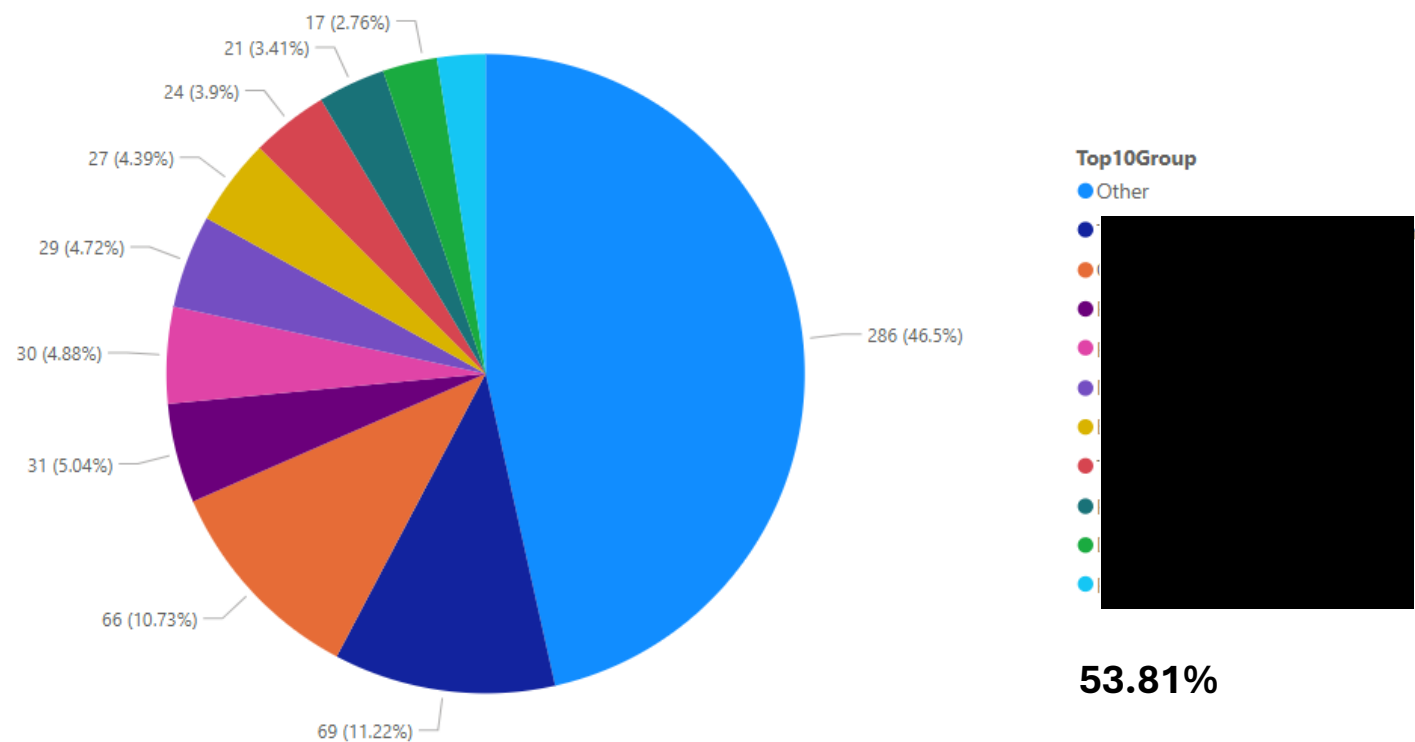
Credit Union	Complaint Count	Zone
	97	A
	89	B
	50	B
	34	A
	33	A
	31	A
	25	A
	18	A
	17	B
	16	B
	13	A
	12	B
	12	A
	12	B
	11	A
	10	B
	10	A
	9	B
	9	B
	9	B
	8	A
	8	B
	7	B
	7	B
	7	B
	7	A
	6	A
	6	B
	6	C
	6	A
	6	B
<b>Total</b>	<b>696</b>	

## 2025 Complaints By Zone



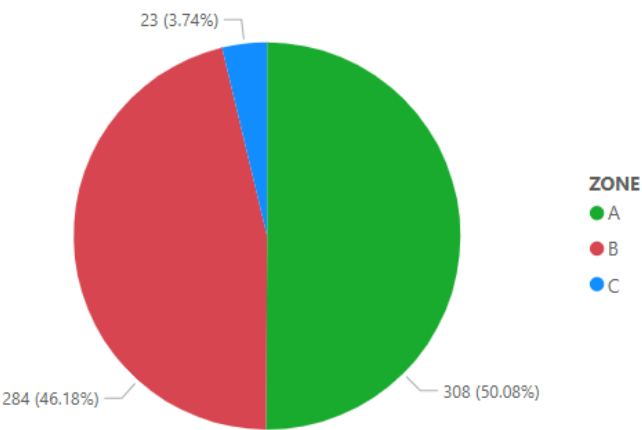
# 2024

## Percentage of Complaints by Credit Union – Top 10 vs. Others



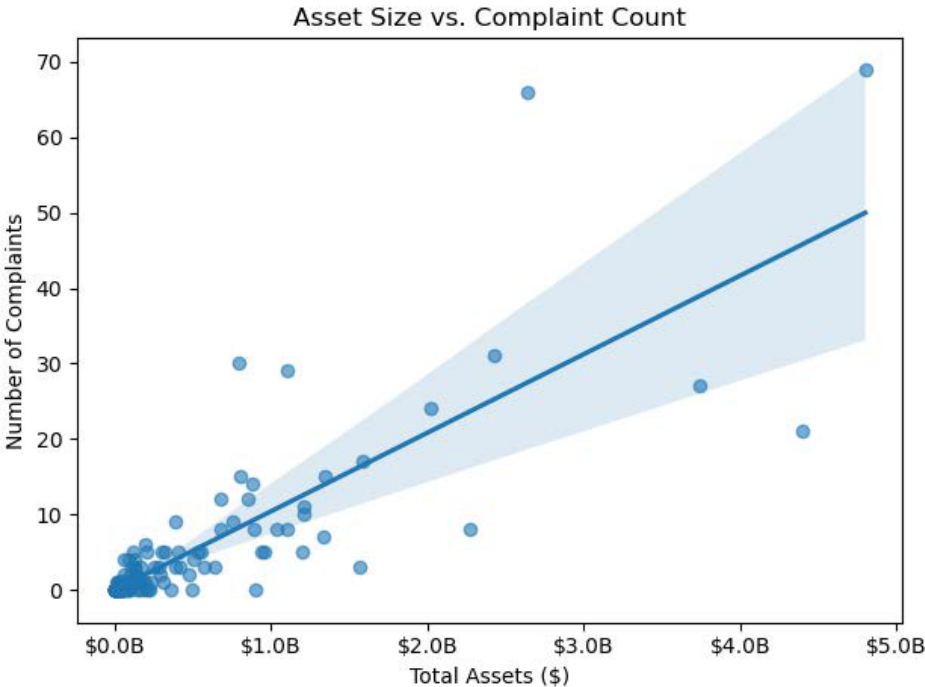
Credit Union	Complaint Count	Zone
	69	B
	66	A
	31	B
	30	A
	29	A
	27	A
	24	A
	21	B
	17	A
	15	B
	15	B
	14	A
	12	A
	12	B
	11	B
	10	B
	10	A
	9	A
	9	B
	8	B
	8	B
	8	A
	8	C
	8	B
	7	B
	6	B
	5	B
Total	615	

## 2024 Complaints by Zone

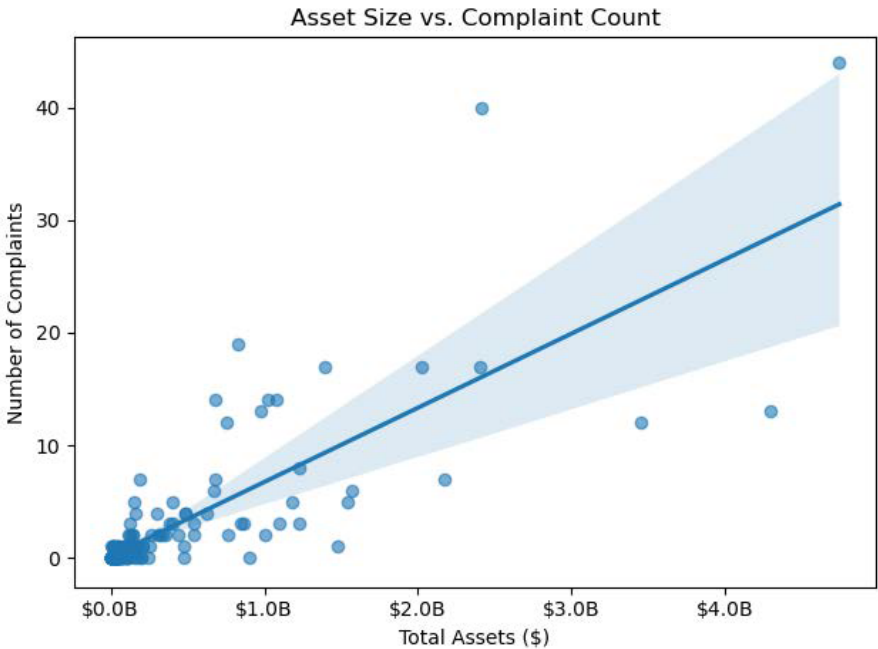


# Complaints By Assets

2024

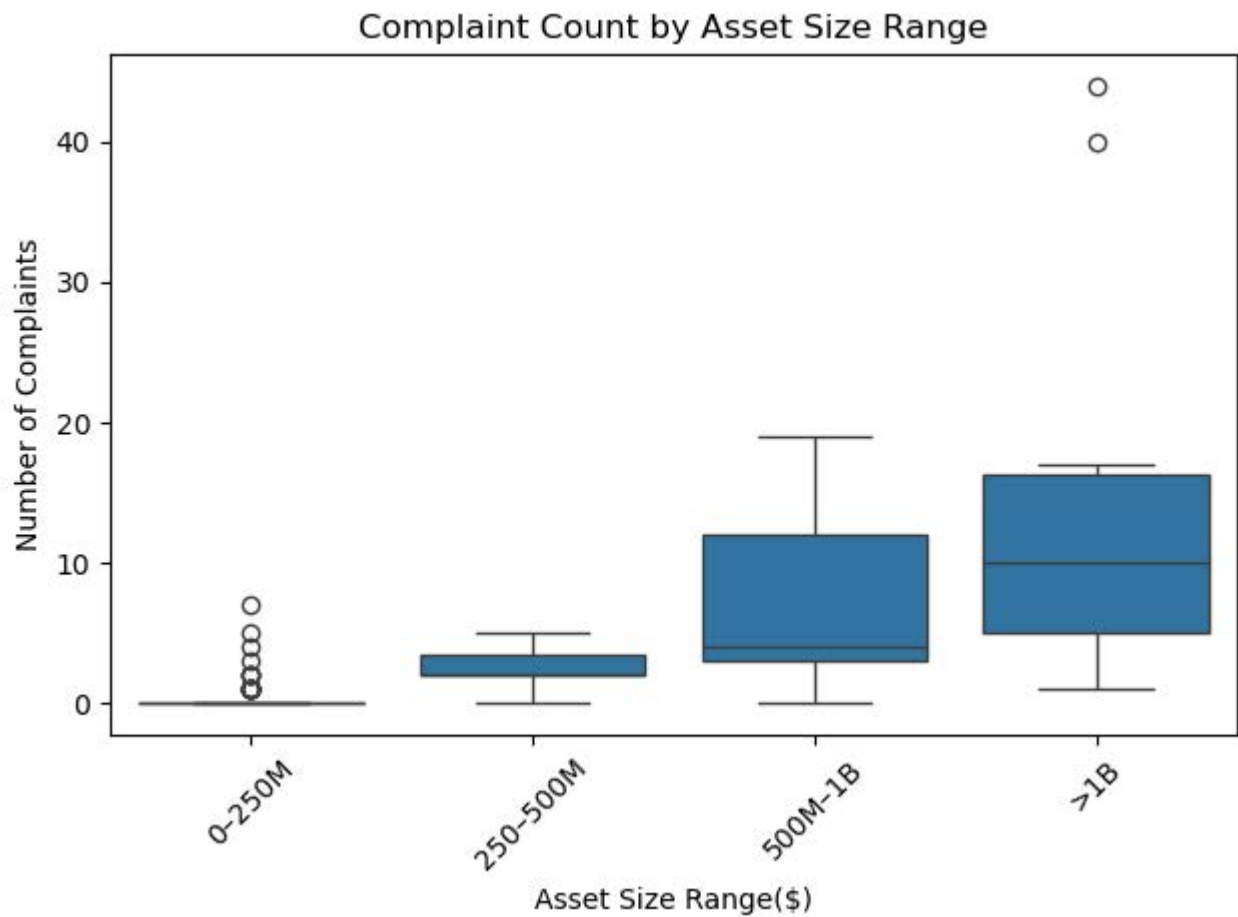
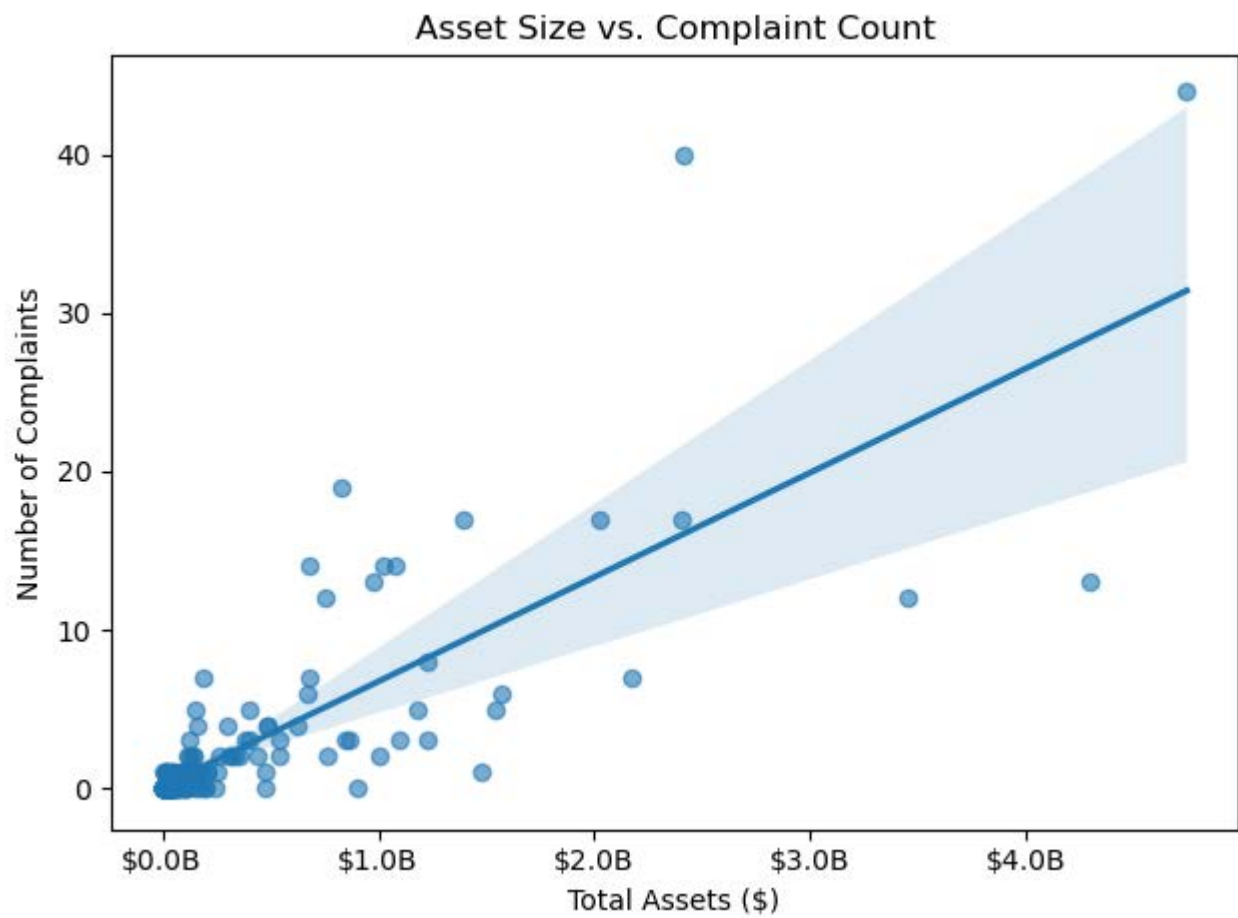


2023



# Complaints Report - FY 2023

<b>TOTAL RECEIVED COMPLAINTS</b>	<b>COUNT</b>
	408
<b>TOTAL RESOLVED COMPLAINTS</b>	
	402
<b>SOURCE OF COMPLAINT</b>	
COMPLAINANT	191
FEDERAL RESERVE CONSUMER HELP	2
NCUA	205
TEXAS STATE AGENCY	4
<b>TYPE OF ALLEGED VIOLATION</b>	
CREDIT REPORTING	67
DEPOSIT ACCOUNT DISPUTE	164
ESTATE	1
LOAN ISSUE	75
OTHER CUSTOMER SERVICE	49
UNCLASSIFIED	46
<b>JURISDICTIONAL &amp; NON-JURISDICTIONAL</b>	
JURISDICTIONAL	398
NON-JURISDICTIONAL	4
<b>REGULATORY &amp; NON-REGULATORY</b>	
REGULATORY	150
NON-REGULATORY	252
<b>ACTION TAKEN</b>	
CU-CORRECTED	0
FINE	0
NONE	401
REGULATORY ACTION	1
<b>PENALTY/FEES</b>	
YES	0
NO	402
<b>OPEN INVESTIGATIONS AT END OF FY</b>	
	31
<b>AVERAGE RESOLUTION TIME</b>	<b>DAYS</b>
	25.42

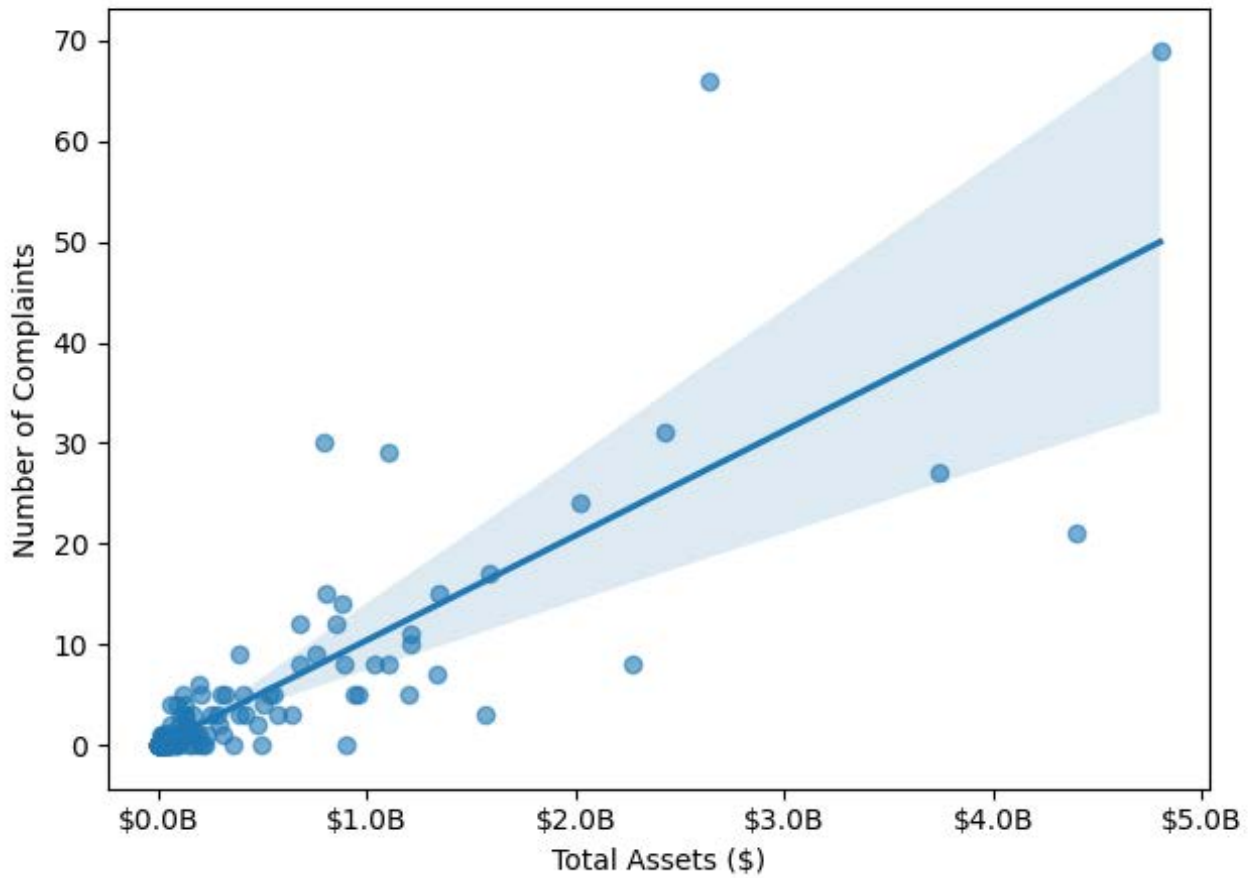


# Complaints Report - FY 2024

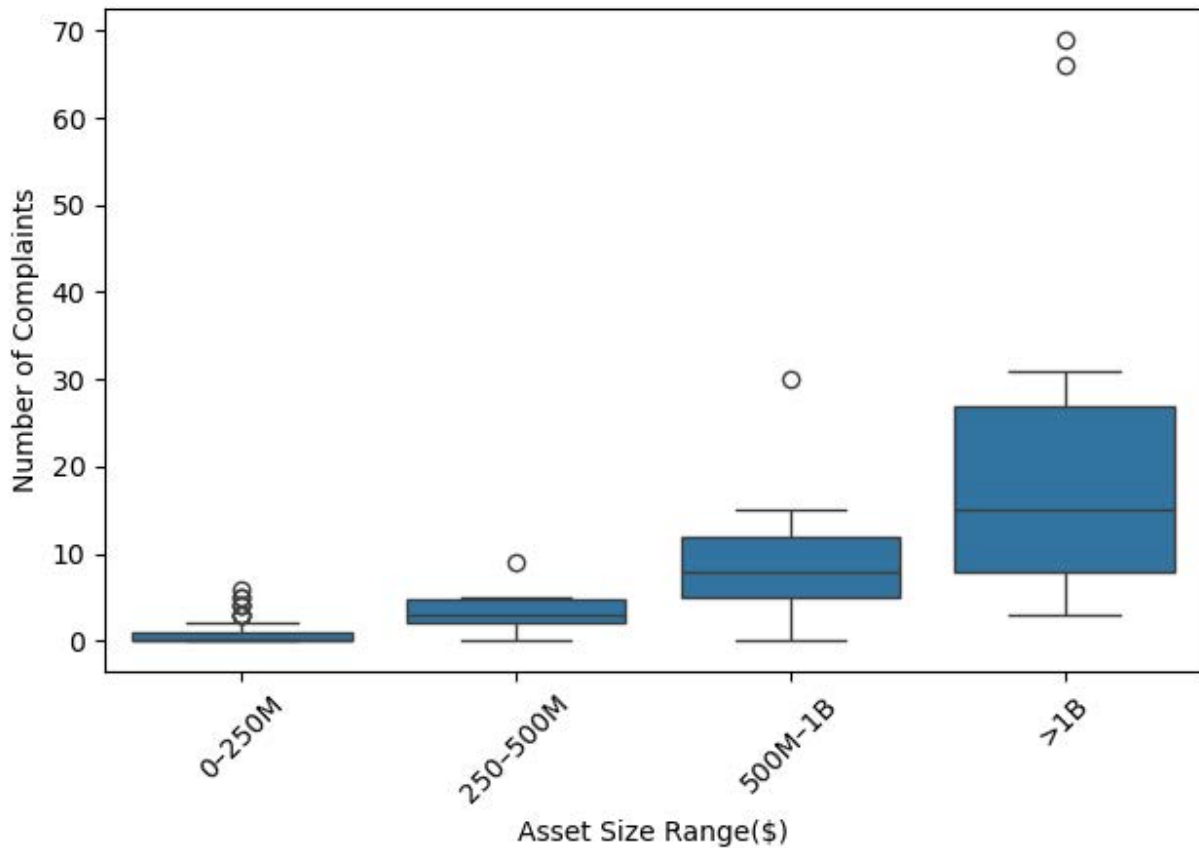
<b>TOTAL RECEIVED COMPLAINTS</b>	<b>COUNT</b>
	698
<b>TOTAL RESOLVED COMPLAINTS</b>	
	614
<b>SOURCE OF COMPLAINT</b>	
COMPLAINANT	295
FEDERAL RESERVE CONSUMER HELP	5
NCUA	313
TEXAS STATE AGENCY	1
<b>TYPE OF ALLEGED VIOLATION</b>	
CREDIT REPORTING	98
DEPOSIT ACCOUNT DISPUTE	195
ESTATE	8
LOAN ISSUE	123
OTHER CUSTOMER SERVICE	86
UNCLASSIFIED	104
<b>JURISDICTIONAL &amp; NON-JURISDICTIONAL</b>	
JURISDICTIONAL	600
NON-JURISDICTIONAL	14
<b>REGULATORY &amp; NON-REGULATORY</b>	
REGULATORY	228
NON-REGULATORY	386
<b>ACTION TAKEN</b>	
CU-CORRECTED	50
FINE	3
NONE	556
REGULATORY ACTION	5
<b>PENALTY/FEES</b>	
YES	26
NO	588
<b>OPEN INVESTIGATIONS AT END OF FY</b>	
	61
<b>CONSUMER RECOVERIES</b>	<b>\$</b>
	\$ 116,728.00
<b>AVERAGE RESOLUTION TIME</b>	<b>DAYS</b>
	29.88



Asset Size vs. Complaint Count



Complaint Count by Asset Size Range



**L.**

## **L. FUTURE COMMISSION MEETINGS**

**Next Commission Meeting:** The next regular meeting of the Commission has been tentatively scheduled for November 7, 2025.

## **ADJOURNMENT**

# **FUTURE CREDIT UNION COMMISSION MEETING DATES**

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**Friday, November 7, 2025**

**Friday, March 20, 2026**

**Friday, July 17, 2026**

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

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

**CREDIT UNION DEPARTMENT**

**INDUSTRY STATUS**

**AND**

**DEPARTMENTAL OPERATION**

## Credit Union Department - State of Texas

### Average Salary and Tenure by Race and Sex

#### AGENCY

Ethnic Group	Headcount	Female	Male	Monthly Salary	Annual Salary	Years with CUD	Agency Years with CUD (Rehire)	State Service Years
Asian	2	0	2	\$ 8,084.84	\$ 97,018.08	13.47	13.47	13.47
Black	7	5	2	\$ 9,127.88	\$ 109,534.53	8.7	9.55	11.48
Hispanic	9	5	4	\$ 6,986.59	\$ 83,839.13	3.88	8.67	13.44
NHOPI	1	1	0	\$ 4,300.00	\$ 51,600.00	2.41	2.41	2.41
White	14	3	11	\$ 9,123.66	\$ 109,483.91	3.62	10.06	12.39
	<b>33</b>	<b>14</b>	<b>19</b>	<b>\$ 7,524.59</b>	<b>\$ 90,295.13</b>	<b>6.42</b>	<b>8.83</b>	<b>10.64</b>

#### FIELD STAFF

Ethnic Group	Headcount	Female	Male	Monthly Salary	Annual Salary	Years with CUD	Agency Years with CUD (Rehire)	State Service Years
Asian	2	0	2	\$ 8,084.84	\$ 97,018.08	13.47	13.47	13.47
Black	6	4	2	\$ 9,607.52	\$ 115,920.28	10.06	11.06	12.47
Hispanic	5	3	2	\$ 6,496.73	\$ 77,960.78	4.55	5.15	5.15
NHOPI	0	0	0	\$ -	\$ -	0	0	0
White	6	1	5	\$ 6,774.86	\$ 81,298.36	2.99	4.16	4.16
	<b>19</b>	<b>8</b>	<b>11</b>	<b>\$ 6,192.79</b>	<b>\$ 74,439.50</b>	<b>6.21</b>	<b>6.77</b>	<b>7.05</b>

#### ADMIN

Ethnic Group	Headcount	Female	Male	Monthly Salary	Annual Salary	Years with CUD	Agency Years with CUD (Rehire)	State Service Years
Asian	0	0	0	\$ -	\$ -	0	0	0
Black	1	1	0	\$ 6,250.00	\$ 75,000.00	0.48	0.48	5.45
Hispanic	4	2	2	\$ 7,598.92	\$ 91,187.07	3.04	13.08	23.8
NHOPI	1	1	0	\$ 4,300.00	\$ 51,600.00	2.41	2.41	23.8
White	8	2	6	\$ 10,885.26	\$ 130,623.08	4.1	14.49	18.56
	<b>14</b>	<b>6</b>	<b>8</b>	<b>\$ 5,806.84</b>	<b>\$ 69,682.03</b>	<b>10.03</b>	<b>6.09</b>	<b>14.32</b>



**CONSOLIDATED SEMI-ANNUAL REPORT RECEIVED FOR FISCAL YEAR 2025  
TEXAS COMPTROLLER OF PUBLIC ACCOUNTS**

**CONSOLIDATED REPORT FOR 469 CREDIT UNION DEPARTMENT**

PROCUREMENT CATEGORY	TOTAL EXPENDITURES	TOTAL \$ SPENT WITH NON HUBS / %	TOTAL \$ SPENT WITH HUBS / %	ANNUAL PROCUREMENT GOAL %
HEAVY CONSTRUCTION	0	0 0%	0 0%	11.20%
BUILDING CONSTRUCTION	0	0 0%	0 0%	21.10%
SPECIAL TRADE	\$1,112	\$1,112 / 100.00%	0 / 0%	32.90%
PROFESSIONAL SERVICES	\$5,048	\$5,048 / 100.00%	0 / 0%	23.70%
OTHER SERVICES	\$95,382	\$67,115 / 70.36%	\$28,267 / 29.64%	26.00%
COMMODITY PURCHASING	\$39,963	\$39,513 / 98.87%	\$451 / 1.13%	21.10%
<b>TOTAL:</b>	<b>\$141,505</b>	<b>\$112,787 / 79.71%</b>	<b>\$28,718 / 20.29%</b>	

**CONSOLIDATED REPORT FOR THE STATE OF TEXAS**

PROCUREMENT CATEGORY	TOTAL EXPENDITURES	TOTAL \$ SPENT WITH NON HUBS / %	TOTAL \$ SPENT WITH HUBS / %	ANNUAL PROCUREMENT GOAL %
HEAVY CONSTRUCTION	\$6,206,657,645	\$6,144,584,349 / 99.00%	\$276,354,865 / 4.45%	11.20%
BUILDING CONSTRUCTION	\$2,467,142,896	\$2,382,848,581 / 96.58%	\$423,986,605 / 17.19%	21.10%
SPECIAL TRADE	\$628,840,771	\$498,848,120 / 79.33%	\$159,984,873 / 25.44%	32.90%
PROFESSIONAL SERVICES	\$1,194,768,155	\$1,090,293,511 / 91.26%	\$282,418,444 / 23.64%	23.70%
OTHER SERVICES	\$4,037,695,349	\$3,623,200,961 / 89.73%	\$594,323,246 / 14.72%	26.00%
COMMODITY PURCHASING	\$4,445,484,855	\$4,103,953,241 / 92.32%	\$353,976,986 / 7.96%	21.10%
<b>TOTAL:</b>	<b>\$18,980,589,670</b>	<b>\$17,843,728,763 / 94.01%</b>	<b>\$2,091,045,018 / 11.02%</b>	

**\*\* ANALYSIS OF AWARDS FOR 469 CREDIT UNION DEPARTMENT**

CERTIFIED HUB GROUP FOR HUB CREDIT	TOTAL # OF HUB VIDS RECEIVING AWARDS / %	TOTAL \$ AMOUNT AWARDED TO HUBS / %
	/ 0%	/ 0%
<b>TOTAL:</b>	<b>/</b>	<b>/</b>



**CONSOLIDATED SEMI-ANNUAL REPORT RECEIVED FOR FISCAL YEAR 2025  
TEXAS COMPTROLLER OF PUBLIC ACCOUNTS**

**\*\* ANALYSIS OF AWARDS FOR THE STATE OF TEXAS**

<b>CERTIFIED HUB GROUP</b>	<b># OF VIDS ELIGIBLE FOR HUB CREDIT / %</b>	<b># OF MALES / %</b>	<b># OF FEMALES / %</b>	<b>TOTAL # OF HUB VIDS RECEIVING AWARDS / %</b>	<b>TOTAL DOLLAR AMOUNT AWARDED TO HUB VIDS / %</b>
ASIAN PACIFIC	1,358 / 8.29%	881 / 12.26%	477 / 5.19%	259 / 8.65%	\$318,739,288 / 15.24%
BLACK	4,182 / 25.54%	2,317 / 32.24%	1,865 / 20.31%	339 / 11.32%	\$218,841,576 / 10.47%
HISPANIC	5,129 / 31.33%	3,516 / 48.92%	1,613 / 17.57%	1,056 / 35.26%	\$747,795,942 / 35.76%
NATIVE AMERICAN	293 / 1.79%	208 / 2.89%	85 / 0.93%	57 / 1.90%	\$49,565,770 / 2.37%
WOMAN OWNED	5,143 / 31.41%	1 / 0.01%	5,142 / 56.00%	1,218 / 40.67%	\$733,562,365 / 35.08%
SERVICE-DISABLED VETERAN	263 / 1.61%	263 / 3.66%	0 / 0.00%	66 / 2.20%	\$22,540,077 / 1.08%
<b>TOTAL:</b>	<b>16,368 / 100.00%</b>	<b>7,186 / 100.00%</b>	<b>9,182 / 100.00%</b>	<b>2,995 / 100.00%</b>	<b>\$2,091,045,018 / 100.00%</b>

\*\* THE ANALYSIS IS BASED ON THE TOTAL # OF VENDOR ID NUMBERS THAT WERE ELIGIBLE TO RECEIVE HUB CREDIT.

TOTAL # OF CERTIFIED HUBS FOR THE PERIOD OF FY 2025 IS 16,373. THIS AMOUNT ONLY COUNTS SOLE PROPRIETORSHIPS ONCE WHEN THEY CAN HAVE UP TO 4 VIDS.



# Credit Union Department

## Executive Summary

As of 11/30/2024

\* Information from call report cycle

ACTIVITY	YTD 2023	YTD 2024	2025 FISCAL YEAR				
			1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	YTD
MOVEMENT PROFILE							
Number of CUs	169	165	163				
Total Assets (Millions)	*57,494	*58,486	*58,633				
APPLICATIONS (Received)							
Charters	0	0	0				0
Foreign Branches	0	0	0				0
Conversions	0	0	0				0
Mergers	2	3	1				1
Bylaws	53	23	13				13
Articles of Incorporation	5	2	0				0
Total	60	28	14	0	0	0	14
EXAMINATION ACTIVITIES							
Regular	79	17	24				24
Joint	59	10	16				16
Remedial	36	6	10				10
Total	174	33	50	0	0	0	50
ENFORCEMENT ACTIONS (In Force)							
Determination Letters	1	3	2				
LUAs	0	0	0				
Cease & Desist Orders	3	1	1				
Dividend Restrictions	0	0	0				
Conservatorships	0	0	0				
Liquidations	1	1	1				
Total	5	5	4	0	0	0	
PERSONNEL STAFFING							
Field Examiners	18	19	20				
Total Personnel	30	31	32				
FINANCIAL OPERATIONS (In Thousands)							
Budgeted Expenditures	5,058	5,556	1,538				1,538
Actual Expenditures	4,320	4,939	1,249				1,249
Gifts and Bequests	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Actual Revenue	4,648	4,952	2,938				2,938

Note: FY25 budget expenditures for quarters 1-4 was reduced due to transfer of \$100,000 requested by the Commission to Reserve Fund.

Credit Union Department  
Application Activities - Detail

ACTIVITY	4th Qtr 2023	4th Qtr 2024	2025 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	1	0	0	0	0	0	
Add: New Applications Filed	0	0	0	0	2	0	
Less: Approved	1	0	0	0	2	0	
Denied/Withdrawn	0	0	0	0	0	0	
Pending at End of Period	0	0	0	0	0	0	
CONVERSIONS							
Pending at Beginning of Period	0	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	0	0	0	0	0	0	
MERGERS							
Pending at Beginning of Period	2	3	6				
Add: Applications Filed	0	3	1				
Less: Approved	1	0	2				
Denied/Withdrawn	0	0	0				
Pending at End of Period	1	6	5	#####	#####	#####	
BYLAWS							
Pending at Beginning of Period	14	12	20				
Add: Applications Filed	10	23	13				
Less: Approved	4	15	29				
Denied/Withdrawn	0	0	0				
Pending at End of Period	20	20	4	#####	#####	#####	
ARTICLES OF INCORPORATION							
Pending at Beginning of Period	0	2	1	0	0	2	
Add: Applications Filed	1	3	0	0	2	2	
Less: Approved	1	4	1	0	0	4	
Denied/Withdrawn	0	0	0	0	0	0	
Pending at End of Period	0	1	0	0	2	0	

Credit Union Department  
Movement Profile - Condition Summary

CAMEL RATING	4th Qtr 2022	4th Qtr 2023	2025 FISCAL YEAR				
			*1st Qtr	*2nd Qtr	*3rd Qtr	*4th Qtr	
1	37	34	37				
2	108	106	103				
3	20	21	20				
4	2	4	3				
5	1	0	0				
<b>Total</b>	168	165	163	#VALUE!	#VALUE!	#VALUE!	

\* Information from exam master list

Texas Credit Union Department  
Enforcement Actions - Detail

TYPE OF ACTION	In Force 8/31/2023	Issued	Activity Terminated	In Force 8/31/2024	Issued	Activity Terminated	In Force 11/30/2024
Determination Letters	1	1	1	3	2	3	2
LUAs	0	0	0	0	0	0	0
Cease & Desist Orders	3	3	0	1	0	0	1
Dividend Restrictions	0	0	0	0	0	0	0
Conservatorships	0	0	1	0	0	0	0
Liquidations	1	1	0	1	0	0	1
<b>Total</b>	5	5	2	5	2	3	4

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	18	24	133%	15%	100%
Joint	13	16	123%	10%	100%
Remedial	9	10	111%	6%	100%
<b>Total</b>	40	50	125%	32%	100%

**Credit Union Department**  
**Movement Profile - Consumer Complaints**

CONSUMER COMPLAINTS	YTD 2023	YTD 2024	2025 FISCAL YEAR				
			1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	YTD
Received	408	641	178				178
Closed	400	464	159				159
Avg. Days to Process	25.05	29.43	37.43				37.43
% Resolved in 40 Days	97%	97%	65%				65%

**Texas Credit Union Department**  
**Consumer Complaint - Detail**

TYPES OF COMPLAINTS	YTD 2023	YTD 2024	2025 FISCAL YEAR				
			1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	YTD
LOAN ISSUES							
Collections/Loans	4	5	6				6
Denial	0	4	8				8
Loan Issues	62	98	18				18
Credit Report Issues	69	98	19				19
Insurance - CPI, GAAP, Property, etc	4	6	6				6

<b>ACCOUNT ISSUES</b>							
Discrimination	7	9	2				2
Electronic Funds Transfer	0	6	3				3
Holds on Checks	15	19	10				10
Estate/Probate	0	7	8				8
Fraud/Unauthorized	94	126	31				31
Fees	27	44	8				8
Billing Disputes	35	20	11				11
Other	45	101	17				17

<b>OTHER PRODUCTS/SERVICES</b>							
Account/Loan Balance	4	4	4				4
Account Closed/Frozen	17	20	11				11
Customer Service	8	24	8				8
Deceptive Advertisement	6	3	1				1
Vehicle Title	3	4	1				1
Website Issues	0	4	6				6
<b>TOTAL</b>	400	602	178	0	0	0	178



Credit Union Department  
Merger/Conversion Finalized

ACTIVITY	YTD 2023	YTD 2024	2025 FISCAL YEAR				
			1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	YTD
MERGERS							
Number:							
State-to-State	2	4	2				2
Federal-to-State	2	4					0
State-to-Federal	0	0					0
Total	4	8	2	0	0	0	2
Assets:							
State-to-State	35,995,817	56,510,341	127,241,165				127,241,165
Federal-to-State	130,060,407	235,748,284					0
State-to-Federal	-	-					0
Total	166,056,224	292,258,625	127,241,165	0	0	0	127,241,165
CONVERSIONS							
Number:							
Federal-to-State	1	0	0	0	0	0	0
State-to-Federal	0	0	0	0	0	0	0
State-to-Mutual Bank	0	0	0	0	0	0	0
Assets:							0
Federal-to-State	1,099,577,978	-					0
State-to-Federal	3,541,622,858	-					0
State-to-Mutual Bank							0
Total	4,641,200,836	-	0	0	0	0	0

**Credit Union Department**  
**Web Site Statistics**  
**Report Range: 09/01/2024 thru 11/30/2024**

		Number
<b>Total Visits:</b>		
	Number of Visits	10,730
	Visitors	4,542
	Page Views	22,250
	Number of Repeat Visitors	4,526
	Average Pages per Visit	2:07
	Average Visit Duration	3:40:00
	New Visitors	8,201
<b>Most Requested Pages:</b>		
	Home	6,515
	Locate/Research a Credit Union	2,453
	Texas Rules for Credit Unions	1,247
	Frequently Asked Questions	946
	File a Complaint Against a Credit Union	932
<b>Most Downloaded Files:</b>		
	Rules for Credit Unions (PDF)	592
	List of Texas State-Chartered Credit Unions (PDF)	230
	Finance Code	150
	Job Postings - Staff Services Officer	108
	Q&A	36