



Newsletter

No. 03-20



March 18, 2020



Credit Union Department
914 East Anderson Lane
Austin, Texas 78752

Phone: 512-837-9236

Fax: 512-832-0278

Email: [info@cud.texas.gov](mailto:info@ cud.texas.gov)

Web Site: www.cud.texas.gov

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

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

Credit Union Commission

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

Members:

Yusuf E. Farran, Chair
Sherri Brannon Merket, Vice Chair
Elizabeth L. "Liz" Bayless
Karyn C. Brownlee
Beckie Stockstill Cobb
Steven "Steve" Gilman
Jim Minge
David F. Shurtz
Kay Rankin-Swan

Next Commission Meeting

Friday, May 8, 2020 beginning at 9:00 a.m. in the offices of CUD.

Coronavirus and Liquidity Planning

As the coronavirus continues to spread in the United States and across the world, economic growth has rapidly and dramatically declined due to the major disruptions the virus has caused in people's lives and for businesses. Numerous conferences and events have been cancelled, leading to significant losses in income for cities, hotels, airlines, businesses and many part-time and self-employed individuals. The stock market has now entered a bear market, and the potential for a recession to occur this year has increased. Given the uncertainty of how long the coronavirus will impact economic growth and the health and employment status of Americans, it is prudent to review your plan for meeting potentially higher liquidity demands from your membership.

Credit unions are encouraged to review their liquidity outlook, asset liability management practices and Liquidity Contingency Funding Plan (CFP) to ensure that adequate liquidity will be available to meet member loan demand and share withdrawal requests. A number of your members will likely need lending assistance or will be making savings withdrawals to get thru these challenging times.

A CFP is required for federally insured credit unions as a condition of federal insurance [12 CFR §701.31(d)(2)]. Each credit union should assess their current CFP to ensure it addresses the following:

- ✓ Policies to manage a range of stress environments, identification of some possible stress events, and identification of likely liquidity responses to such events;
- ✓ Lines of responsibility within the credit union to respond to liquidity events;
- ✓ Management processes that include clear implementation and escalation procedures for liquidity events;
- ✓ Outside sources of liquidity for contingency needs; and,
- ✓ The frequency the credit union will test and update the plan.

Pandemic Resources and Considerations

Concerns about the coronavirus are currently paramount in the media and may have a significant impact on the economy as well as the communities you serve. As a reminder, TCUD issued an informational memorandum on March 10, 2020 which can be found at the following link: <https://cud.texas.gov/reports-publications/informational-memorandums>.

Even with the guidance, TCUD has continued to receive calls from credit unions regarding the implications of altering their annual meeting schedule or other actions as part of their response to the scenario. Because of the highly situational nature of each credit union's circumstances and our role as a regulator, it is important to recognize that the Department cannot and should not provide specific legal or operational advice to a credit union in the development of their individual response.

With that being said, it is imperative the industry have a sense of the supervisory stance as they react to changes to help ensure industry decisions are not inappropriately delayed by concerns over the regulatory reaction. In that vein let me make it clear, the supervisory priority at this point is to be prepared to react quickly if the scenario worsens.

While the Department cannot make specific operational or legal decisions for credit unions, the Department does expect each credit union consult with appropriate legal and medical professionals and review the resources provided when weighing the risks associated with the current situation and developing responses. As with any policy decision made by credit union officials, documentation should be maintained to justify the reasonableness of the decision, as well as the board's approval of those actions. Finally, the Department's review, as it pertains to our regulatory authority, will be based on management's justification and a holistic view of the risks, including those that are community health related.

In short, if this pandemic proceeds as some have forecasted, swift decisions may need to be made by credit union officials weighing competing risks. The credit union industry should have the confidence to move decisively to address the changing scenario at the same speed.

While I understand this outline of the Department's expectations may not be as prescriptive as some would like, I hope it is clear that we believe a credit union and their management team must have freedom to react to a scenario as it plays out and be evaluated based on the reasonableness of their justification at the time of that decision.

As always, thank you for your efforts to ensure the availability of safe and sound financial services to Texas credit union members.



Annual Credit Union Survey

The Department recently sent an email to each credit union containing a link to our annual online survey. We are looking to examine our current performance across a range of issues critical to our success. The best way to do this is by asking credit unions to participate in this survey and to provide us with your opinion on how the Department is currently performing. Your responses will be completely

Annual Credit Union Survey (Continued)

anonymous and analyzed in combination with our credit union answers. This survey will be open until **Tuesday, March 31**. By participating in this survey, you will be making an important contribution by helping the Department to improve and better serve the citizens of Texas. Your opinion counts. We appreciate your time!



Comments Due July 8 on Subordinated Debt Proposal

Comments are due July 8 on a proposed rule for subordinated debt at credit unions, a date set with an official notice published this week in the *Federal Register* to open the 120-day comment period on the NCUA proposal.

The 275-page proposal – one of the longest ever issued by NCUA – was approved unanimously by the agency board six weeks ago (Jan. 23). It would allow well-capitalized credit unions to count subordinated debt as capital for risk-based net worth purposes.

Key provisions of the proposal include:

- Permission for low-income-designated credit unions (LICUs), complex credit unions, and new credit unions to issue subordinated debt for purposes of regulatory capital treatment.
- A maximum maturity of 20 years to be imposed on debt issued (with a minimum maturity of 5 years), and a minimum denomination of \$100,000. The agency noted the maturity limit helps to clarify that the financial instruments issued are debt – and not equity in the credit unions (which are solely owned by the members; credit unions do not issue stock).
- Prohibitions on a credit union from being both an issuer and investor unless the credit union meets certain conditions related to mergers.

LINK:

[NCUA proposed rule: Subordinated debt](#)



Proposed Rule Review

The Texas Credit Union Commission (Commission) will review and consider for re-adoption, revision, or repeal, Chapter 91, **§91.7000**, (Certificates of Indebtedness).

The Commission will also review and consider for re-adoption, revision, or repeal, Chapter 91, **§91.8000** (Discovery of Confidential Information).

An assessment will be made by the Commission as to whether the reasons for adopting or readopting these rules continue to exist. Each rule will be reviewed to determine whether it is obsolete, whether the rule reflects current legal and policy considerations, and whether the rule reflects current procedures of the Credit Union Department.

Proposed Rule Review (Continued):

The Commission also invites your comments on how to make these rules easier to understand. For example:

- Do the rules organize the material to suit your needs? If not, how could the material be better organized?
- Do the rules clearly state the requirements? If not, how could the rule be more clearly stated?
- Do the rules contain technical language or jargon that is not clear? If so, what language requires clarification?
- Would a different format (grouping and order of sections, use of headings, paragraphing) make the rule easier to understand? If so, what changes to the format would make the rule easier to understand?
- Would more (but shorter) sections be better in any of the rules? If so, what sections should be changed?

Any proposed changes to these rules as a result of the rule review will be published in the Proposed Rule Section of the *Texas Register*. The proposed rules will be open for public comment prior to the final adoption by the Commission.



Publication Deadlines

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

| <u>Publication Date</u> | <u>Application Deadline</u> |
|-------------------------|-----------------------------|
| April 2020 | Friday, April 10 |
| May 2020 | Friday, May 15 |



Applications Approved

Applications approved since February 19, 2020 include:

Credit Union

Changes or Groups Added

Field of Membership Change – Approved:

Associated Credit Union of Texas #1 (League City)
Associated Credit Union of Texas #2 (League City)

[See Newsletter No. 01-20](#)
[See Newsletter No. 01-20](#)

Applications Approved (Continued)

Credit Union

Changes or Groups Added

Associated Credit Union of Texas #3 (League City)
Associated Credit Union of Texas #4 (League City)
Associated Credit Union of Texas #5 (League City)
Associated Credit Union of Texas #6 (League City)
Associated Credit Union of Texas #7 (League City)
Associated Credit Union of Texas #8 (League City)

[See Newsletter No. 01-20](#)
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Educators Credit Union (Waco)

[See Newsletter No. 01-20](#)

Texell Credit Union (Temple)

[See Newsletter No. 12-19](#)

Unity One Credit Union (Fort Worth)

[See Newsletter No. 01-20](#)

Merger or Consolidation - Approved:

Letourneau FCU (Longview) and East Texas Professional CU (Longview)

[See Newsletter No. 08-19](#)



Applications Received

The following applications were received and will be published in the **March 27, 2020** issue of the *Texas Register*.

Field of Membership Expansion:

First Central Credit Union (Waco) – Persons who reside, work, worship, or attend school within the boundaries of Falls, County, Texas, to be eligible for membership in the credit union.

Merger or Consolidation:

An application was received from **Texas Dow Employees Credit Union** (Lake Jackson) seek approval to merge with **Orange County Teachers Credit Union** (Orange), with Texas Dow Employees Credit Union being the surviving credit union.

Articles of Incorporation:

An application was received from **My Credit Union** (Watauga) to amend its Articles of Incorporation relating to principal place of business.



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

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



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

