

Texas Credit Union Department

Self-Evaluation Report



**Submitted to the
Sunset Advisory Commission**

September 2019

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Texas Credit Union Department Self-Evaluation Report

I. Agency Contact Information

**Texas Credit Union Department
Exhibit 1: Agency Contacts**

	Name	Address	Telephone & Fax Numbers	Email Address
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[Table 1 Exhibit 1 Agency Contacts](#)

The Credit Union Department (Department) is composed of the Credit Union Commission (Commission), the Credit Union Commissioner (Commissioner), and other Department Staff ([Section 15.101, Finance Code](#)).

II. Key Functions and Performance

A. Provide an overview of your agency's mission, objectives, and key functions.

The Department's mission is to safeguard the public interest, protect the financial interests of credit union members, and promote public confidence in the credit union industry. Through its Supervision Function the Department ensures the availability of safe and accessible credit union services.

The safety and soundness of the credit union industry and its compliance with laws, rules, and regulations is our primary objective. The Department promotes safe and prudent credit union practices through examinations, regular communication with credit union officials, and the review of applications submitted by credit unions relative to their activities or locations. When appropriate, the Department has a range of informal and formal enforcement options available to resolve problems identified at a credit union. The Department also provides assistance to ensure credit union members receive fair and timely resolution of their complaints if unable to resolve issues with a credit union directly.

The Department supervises credit unions by conducting on-site examinations, performing off-site monitoring and analyzing consumer complaints. These activities help determine the condition of individual credit unions and the overall stability of the state credit union system. The frequency of on-site examinations is determined by the credit union's size, complexity, risk profile, and condition. The on-site examinations are conducted at least every 18 months or more frequently if the credit union is experiencing challenges.

The Department further works to ensure the industry is appropriately regulated through periodic reviews and updates to the rules utilized as the regulatory framework for the industry. Within this framework applications submitted by regulated entities are reviewed and, if permissible, approved.

B. Do your key functions continue to serve a clear and ongoing objective? Explain why each of these functions is still needed.

The functions of the Department continue to serve clear and ongoing objectives. The most basic reason for these functions is member protection and ensuring consumer confidence in the industry. Pressure for these functions persists as credit union members continue to make an ever-increasing number of financial transactions through credit unions, and as businesses and individuals hold a significant portion of their funds in credit unions. The Department's programs promote the safety and soundness of credit unions, protect members' rights, and promote the offering of products and services to meet the financial needs of credit union members.

The examination program assesses the overall financial condition, management policies, and practices, and compliance with applicable laws and regulations. Through the examination process, the Department assesses an institution's risk profile, adequacy of risk management and internal control systems to identify and control risks and to detect the risks of fraud or insider abuse. In addition, the Department assesses a credit union's programs for compliance with consumer protection, fair lending, privacy, and anti-money laundering/terrorist financing statutes. As part of the Examination Process, the Department reviews the information and disclosures provided to the member by the credit union. Regular periodic examinations provide an opportunity to identify problems and trends early enough to minimize adverse consequences for members and hopefully avoid costly failures. If the Department no longer examined credit unions, problems could go undetected longer increasing the likelihood of failure and exposing consumers to potential losses. This in turn would cause a drain on the share insurance system, reduce the availability of low-cost financial services for Texas consumers and provide a smaller property and sales tax base.

The Department also reviews member complaints about credit unions. Credit union members write or electronically submit to the Department complaints and inquiries regarding consumer protections and fair lending issues. The Department attempts, through its investigation and response to member complaints and inquiries, to help members understand their rights under applicable law.

The Application Process is necessary to accommodate changes in credit union operations, which evolve as member expectations, and financial service products change overall. Allowing credit unions to amend their articles of incorporation, bylaws, or their fields of membership through the Application process keeps changes orderly and within statutory and regulatory bounds. If the Department no longer performed this function, credit unions would either be prevented from changing at all or could change without appropriate oversight. In either case, the safety and soundness of the state credit union system would be jeopardized.

The Oversight Process allows the Commission to adopt and amend its rules. The Government Code requires that an agency review its rules every four years. In addition, the Commission can respond to suggestions from the public or the industry to respond to financial service industry evolution. If this function were no longer performed, static rules would no longer reflect changes in the financial services industry and could compromise the credit union system viability.

C. What, if any, functions does your agency perform that are no longer serving a clear and ongoing purpose? Which agency functions could be eliminated?

N/A.

D. Does your agency's enabling law continue to correctly reflect your mission, objectives, and approach to performing your functions?

The enabling law correctly reflects the agency's mission, objectives and approach to performing its functions. However, given the growing complexity of credit union operations the Department ceased filing group 990 IRS returns for state-chartered credit unions after the tax year 2008. While not necessary the Sunset Commission may want to review the necessity of [Finance Code §15.412](#) which provides the Departmental authority to file group returns. Other statutory changes to [Finance Code §123.003](#) are discussed in detail in item A3 under the Major Issues section of the report.

E. Have you recommended changes to the Legislature in the past to improve your agency's operations? If so, explain. Were the changes adopted?

When appropriate, the agency has recommended changes in the statute to improve the agency's operations and enhance the tools needed to effectively supervise and regulate credit unions. The Department is committed to reducing the regulatory burden on credit unions and providing a regulatory framework that facilitates a competitive and sound industry. Accordingly, in 2013 the Commission recommended to the 83rd Legislature that the Credit Union Act be amended as follows:

- increase from three to six the number of honorary advisory directors a credit union's board of directors may appoint;
- authorize the Commissioner, on request by the credit union regulatory agency of a state contiguous to Texas that experiences an emergency, to authorize one or more credit unions located in that state to open temporary offices in Texas to more promptly restore credit union services to their members;
- prohibit the interest rate on a loan to a member of a credit union from exceeding 28 percent a year to the extent that federal credit unions are permitted to charge that rate;
- specify that, on the issuance of a charter by the National Credit Union Administration, a credit union organized under Texas law and converted to a credit union under U.S. law ceases to be a credit union incorporated under Texas law and is no longer subject to the supervision and regulation of the Commissioner and Department and require the converted credit union to file with the Commissioner a copy of the charter issued to the credit union by the National Credit Union Administration;
- clarify the supervisory and regulatory functions of the Commissioner and the Department;

- authorize the Commissioner and state and federal agencies to enter into cooperative, coordinating, or information-sharing agreements that are necessary or proper to enforce applicable state or federal laws;
- update provisions relating to disclosure of information; and
- revise and clarify provisions relating to the acceptance, service, and repeal of a conservatorship order and to the dissolution and liquidation of a credit union.

The changes were adopted in [SB244](#) effective September 1, 2013.

F. Do any of your agency's functions overlap or duplicate those of another state or federal agency? Explain if, and why, each of your key functions is most appropriately placed within your agency. How do you ensure against duplication with other related agencies?

Financial modernization, privacy concerns, industry consolidation, new trends in borrowing and lending, and emerging technology have caused the convergence of financial industries and regulated activities. The financial jurisdiction of the Department, however, does not overlap or duplicate that of another state agency. Since no other state or federal agency exercises authority over state-chartered credit unions, the chartering, regulating, and supervising processes are appropriately placed within this agency. Likewise, the application process is unique to credit unions, and, as a result, is appropriately placed within the Department. Finally, the rulemaking authority and oversight is appropriately placed with the Commission that oversees the operations of the Department and its regulatory and supervision functions.

As a result of this convergence of financial industries and regulated activities, the Department communicates with agencies such as the Office of Consumer Credit Commission and the State Securities Board to share regulatory information between the Agencies related to each jurisdiction as a result of an institution's conduct of regulated financial activities. These interactions are intended to foster information flow between Agencies in a manner that avoids undue regulatory duplication on credit unions, conserves State resources, and maintains strong consumer protections.

Additionally, both the Finance Commission and the Credit Union Commission have been charged with issuing interpretations of the home equity lending provisions of the Texas constitution. To avoid inconsistent interpretations and confusion, the two Commissions have agreed to cooperate and collaborate to jointly issue a uniform interpretation.

The National Credit Union Administration (NCUA), the chartering agency for federal credit unions, also manages the National Credit Union Share Insurance Fund (NCUSIF). The NCUSIF currently provides share/deposit insurance for most Texas' chartered credit unions. As a result, NCUA, as the administrator of the NCUSIF, shares the Department's interest in maintaining a safe and sound credit union system. To improve supervisory efficiencies while at the same time reducing regulatory burdens on credit unions, the Department works closely with the NCUA which recognizes the Department bears the primary responsibility for regulating and supervising Texas chartered credit unions and allows NCUA to monitor the continued insurability of those credit unions. Communication between the Department and NCUA regarding concerns identified is of great importance to a successful working relationship. NCUA may find it necessary to examine some credit unions jointly with the Department, but the two agencies agree in advance as to the extent each will participate.

Five Texas chartered institutions provide required deposit insurance through the privately held American Share Insurance (ASI). These institutions are not insured or regulated by the National Credit Union Administration. The Department works with ASI to ensure the safety and soundness of the privately insured deposits held at these institutions. ASI completes an annual examination of its insured Texas chartered institutions in conjunction with the Department's examination.

As of August 31, 2018, ten credit unions chartered in seven other states operated eighteen offices in Texas. The Department's jurisdiction extends to these foreign state credit unions conducting business within our State. To more effectively carry out our regulatory responsibilities, the Department has signed Nationwide Cooperative Agreements for the Supervision of State Chartered Credit Unions Operating in a Multi-State Environment, developed by the National Association of State Credit Union Supervisors. These agreements establish principles for regulating and supervising the interstate operations of multi-state, state-chartered credit unions. These principles were designed to assist agencies to promote increased coordination, cooperation, and communication in the regulation of these credit unions amongst state supervisory agencies, while maintaining safe and sound credit union operations for the citizens of the respective states.

Detailed statistical information can be found on the Department's website in the [Texas State-Chartered Credit Union System Profile](#) as of December 31, 2018.

G. In general, how do other states carry out similar functions?

Other states have a variety of functional systems for their financial institution regulators, but the most typical structures are: (1) Autonomous or independent units of state government; (2) Co-equal unit of a department with separate units that supervise other financial institutions; and (3) Subordinate unit of an agency that primarily supervises other financial institutions. Alabama and

Kansas, like Texas, have separate agencies to regulate state credit unions. Most of the remaining states have an umbrella agency with separate, co-equal, units for supervising the various types of financial institutions. All states examine credit unions in cooperation with the deposit insurer in a manner like Texas.

Having an autonomous agency ensures the regulator focus exclusively on credit unions and appropriate restrictions on utilization of industry operating fees toward specific industry regulation. With the large number of state-chartered credit unions in Texas, varying in asset size from \$288,725 to \$3.2 billion, the Department customizes the examination process to fit the product mix, asset size and other risk characteristics of each credit union. Very small credit unions frequently need special attention, but may require shorter examinations than larger, more complex credit unions. The independent agency structure allows for the flexibility to meet the varying credit union needs.

H. What key obstacles impair your agency's ability to achieve its objectives?

The greatest challenge to the Department's ability to achieve its objectives is the successful recruitment and retention of qualified examiners. Successfully competing for examiners with the requisite knowledge and skills is one of the more challenging tasks faced by the Department. In the past examiner turnover due to the Department's inability to maintain a competitive salary package was a significant obstacle to Department goals with turnover rates sometimes exceeding 20%. Experienced examination staff are required to have a thorough understanding of accounting, legal and regulatory compliance issues in a highly regulated industry, and significant risk management, internal controls/audit experience. With the oversight of the Commission and support of the industry, the Department has made significant progress lowering examiner turnover rates to approximately 5% over the last three years and the agency continues to strive to ensure industry oversight is not weakened by high examination staff turnover.

I. Discuss any changes that could impact your agency's key functions in the near future (e.g., changes in federal law or outstanding court cases).

There are always pending changes in federal and state law and outstanding court cases which could impact the Department, but none currently are forecasted that have an obvious significant impact. Changes in the state laws impacting appropriate evolution of state-chartered credit unions or imposing additional taxes would have the most significant effect on Department operations. Secondly, federal law negatively impacting the state-chartered credit union federal income tax exemption status while maintaining federal credit union exemption would impact the Department. Finally, preemption of state law by federal statutes is another concern. Such issues are monitored by the Department at both the state and national levels. If significant competitive disadvantages developed between the Texas state credit union charter and its

financial services competition, the Department's authority over many Texas credit unions could be hindered and diminish the quality of financial services provided to Texans.

J. Aside from additional staff or funding, what are your agency's biggest opportunities for improvement in the future? For example, are there other programs or duties the agency could take on to better carry out its mission?

The Department is committing to continuing its efforts to improve its examination, oversight and application programs using technology. Steps have been taken to improve the security, accessibility and accuracy of data. Further improvements are under consideration to foster additional improvements in the effectiveness of each program's processes.

Another opportunity is continued interaction with other entities. Although the Department has very productive working relationships with various agencies at the state and federal levels including several national organizations, developing and nurturing these types of relationships will be increasingly important in promoting strength, stability and confidence in the credit union system. The Department needs to further leverage these relationships to better achieve its mission.

K. Overall, how does the agency measure its effectiveness in carrying out its objectives?

Our society places a high value on a safe and accessible financial system and the Department has worked diligently to earn the trust of the citizens of Texas, the credit unions we supervise, and other governmental agencies with whom we cooperate. We have sought this trust through many avenues, but mainly around one objective – providing the highest quality supervision possible at the most efficient cost. Evidence of the Department's overall effectiveness and efficiency in delivering on our objectives is most clearly seen in the following areas: performance measures, customer service, and the condition of the credit union industry.

There are numerous performance measures designed to demonstrate whether the agency is effectively and efficiently meeting its objectives. Information regarding the Department's accomplishments relative to these performance measures is provided later.

The Department's activities revolve around a philosophy of empowering credit union members through a safe and accessible financial system, and the best evidence of our effectiveness is the overall health, growth, and strength of the state credit union system. At fiscal year-end 2018, the Department supervised and regulated 185 credit unions with total assets of approximately \$42 billion. Ninety-nine percent of these credit unions are considered safe and sound. Credit union consolidation continues to reduce the overall number of institutions, but asset growth

continues to more than double the \$19 billion reported at the last sunset review. Texas chartered credit unions now serve 3.8 million members, up 41%. In addition, the Department has worked closely with the industry to maintain profitability, integrity, and viability of the credit union charter, as the industry continues to adapt to the evolving financial services business and membership demands. Finally, as further evidence of the Department’s effectiveness, in the 2018 survey of credit unions, 96% of those responding indicated that the agency provided quality supervision.

The budget and operating fees reflect the Department’s commitment to maintain fiscal responsibility and remain diligent in its spending, while accomplishing its annual goals and performance measures. The FTE count of 29.5 has increased slightly by 3.5 FTEs over the last 12 years, and the fiscal year 2018 annual budget was approximately \$4.1 million. In aggregate, Texas chartered credit unions pay approximately 45% of the operating fees they would pay to NCUA if they were federally chartered. Consequently, despite the substantial increase in the size and complexity of regulated entities, the agency continues to achieve excellent safety and soundness and satisfaction results while maintaining a low-cost charter option to the Texas credit union industry.

Provide information regarding your agency’s key performance measures, including outcome, input, efficiency, and explanatory measures. Performance measures listed in the agency’s appropriated bill pattern and other performance indicators tracked by the agency. Please provide information regarding the methodology used to collect and report the data.

Exhibit 2 for Key Performance Measures — Fiscal Year 2018

Strategic Goal 1:	FYE18
Number of State-Chartered Credit Unions	185
Number of Regular Examinations Performed	151
Number of Follow-up Contacts Made (Remedial Exams)	34
Number of Enforcement Actions Issued	4
Percentage of Credit Unions with Composite CAMEL Ratings of 1 or 2	87%
Percentage of Assets Held in Credit Unions with Composite CAMEL Rating of 1 or 2	97%
Percentage of Credit Unions that are Well-Capitalized as Defined by Federal Statute	97%
Strategic Goal 2:	
Number of New Rules Adopted	3

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Number of Rules Amended	34
Number of Rules Re-Adopted without change	56
Number of Applications Processed	62
Number of Requests for Interpretations/Opinions Relating to the Act & Rules Processed	0
Number of Contested Case Referred to State of Administrative Hearings	1
Number of Public Information Act Requests Processed	19
Number of Public Forums in Which the Department Participated	16
Total Assets (Dollars) in State-Chartered Credit Unions (most current call report data)	\$41.5 MM
Percentage Increase (Decrease) in Total Aggregate Credit Union Assets	5.3%
Strategic Goal 3:	FYE18
Number of Complaints Processed	338
Percentage of Credit Unions Providing Services to Low Income or Underserved Populations (71)	38%
Strategic Goal 4:	FYE18
Annual Examiner Turnover Rate (%)	5%
Average Regulated Assets per Examiner (billion)	\$2.2
Annual staff turnover rate (%)	3.5%
Number of Days of Employee Training	314
Number of purchases made from HUB Vendors	34
Percentage of purchases made from HUB Vendors	22%

DESCRIPTION	Target	FYE18
Strategic Goal 1:		
Percentage of Credit Unions Receiving Regular Examination Annually (rounded)	80%	82%
Percentage of Complete Applications Approved or Denied Within 60 Days	100%	100%
Percentage of Reports to Credit Unions within 21 Days	98%	99%
Strategic Goal 2:		
Percentage of Rule Changes provided to Credit Unions Within 60 Days After Adoption	100%	100%

Percentage of Interpretations and Opinions Issued Within 30 Days of Receipt	100%	N/A
Strategic Goal 3:		
Percentage of Complaints Investigated and Responded to Within 45 Days of Receipt	95%	100%
Strategic Goal 4:		
Percentage of Credit Unions Indicating Quality Services Received on Annual Survey	90%	96%

- L. Please list all key datasets your agency maintains. Why does the agency collect these datasets and what is the data used for? Is the agency required by any other state or federal law to collect or maintain these datasets? Please note any “high-value data” the agency collects as defined by Texas Government Code, Section 2054.1265. In addition, please note whether your agency has posted those high-value datasets on publicly available websites as required by statute.**

**Texas Credit Union Department
Exhibit 3: Key Datasets**

Dataset Reference Number	Dataset Name	Description of Data	Data Maintained By	Hyperlink (if publicly available)	Legal Prohibition to Disclosure Y/N
1	Department MIS	Corporate entity and examination data for active credit unions.	Texas CUD	N/A	Y.
2	Credit Union 5300 data	Mix of public and private financial information on all active credit unions.	National Credit Union Administration	https://fpr.ncua.gov/	Y. Some Information Public.
3	Credit Union Profile Data	Institution specific information and supervisory required reporting	National Credit Union Administration	N/A	Y. Some Information Public.

Table 3 Exhibit 3 Key Datasets

All data collected is required to maintain the supervision and monitoring of Texas chartered credit unions. State and federal law require Texas chartered credit unions to provide ongoing reporting of financial, regulatory and operational disclosures. This data is submitted by institutions using federal systems and to the extent the data is public presented on the National Credit Union Administrations website. Further the Department collects its own data as part of the examination program, including examination results and process tracking stored within the Department Management Information System. This information is not available to the public. The Department does not provide institution data to the public.

III. History and Major Events

Texas Credit Union Department	
1969	The Texas Legislature passes the Texas Credit Union Act, creating the Department as a separate entity apart from the Banking Department. The Department's purpose is to supervise and regulate Texas chartered credit unions to safeguard the public interest.
1973	Legislature amends the Texas Credit Union Act to require credit unions to provide share/deposit insurance.
1975	Texas Share Guaranty Credit Union (TSGCU) receives charter from the Department. TSGCU formed to provide share/deposit insurance to other credit unions.
1979	Dedication ceremonies held for new Department office facility at 914 East Anderson Lane in Austin. Building is paid for by one-time special assessment on all Texas chartered credit unions.
1991	Commission adopts rule requiring all credit unions to obtain federal share/deposit insurance from the National Credit Union Share Insurance Fund. This requirement eliminated the private insurance provided by TSGCU.
1997	Legislature approves changes to the Credit Union Act to address recommendations of the Sunset Advisory Commission. Commission is continued in existence until 2009.
1998	Supreme Court decision restricts field of membership expansion authority for federally chartered credit unions. Ruling causes material increase in conversions from federally chartered credit unions to state chartered credit unions.
1998	Congress passes the Credit Union Membership Act (H.R. 1151), providing some relief from field of membership restrictions on federally chartered credit unions. Law also includes stricter net worth requirements and additional restrictions on member business lending authority for all federally insured credit unions.

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2001	New position created within the Department to maintain and manage the internal information technology systems and assist in examining the adequacy of credit unions' data processing systems and controls.
2003	Texas Legislature authorizes the Commission to issue interpretations of the home equity lending provisions of Article XVI of the Texas Constitution for Texas credit unions.
2003	Internal General Counsel position created within the Department to provide additional guidance to staff regarding legal matters.
2004	Two of largest Texas credit unions pursue conversion to a mutual saving bank charter due to credit union charter limitations. Action follows a national, although limited, trend of conversion to the mutual savings bank charter for perceived operating flexibility.
2006	Commission approves American Share Insurance Corporation of Dublin, Ohio as an authorized provider of share/deposit insurance protection.
2009	After sunset review, HB 2735 is enacted during the 81 st Legislature to ensure continuance of the Credit Union Department as an independent agency.
2009	The 81 st Legislature grants Self-Directed, Semi-Independent status to the Credit Union Department.
2013	SB 244 is enacted during the 83 rd Legislature as a result of regular review by the Department and input by Texas stakeholders.
2016	NASCUS accreditation status is reaffirmed for another 5-year period.
2016	A large Texas chartered credit union, placed into conservatorship in 2011, is rehabilitated and released from conservatorship after 48 consecutive months of positive earnings.
2018	Commissioner John J. Kolhoff is appointed by the Commission to replace retiring Commissioner Harold E. Feeney on December 1, 2018.

IV. Policymaking Structure

A. Complete the following chart providing information on your policymaking body members.

**Texas Credit Union Department
Exhibit 4: Policymaking Body**

Member Name	Term / Appointment Dates / Appointed by <i>(e.g., Governor, Lt. Governor, Speaker)</i>	Qualification <i>(e.g., public member, industry representative)</i>	City
Allyson “Missy” Morrow, Chair	6 yr./May 23, 2007 – February 15, 2019/Governor	Industry	San Benito
Barbara “Kay” Stewart	6 yr./April 10, 2013 – February 15, 2019/Governor	Industry	Lone Star
Yusuf E. Farran, P.E.	6 yr./July 16, 2015 – February 15, 2021/Governor	Public Member	El Paso
Beckie Stockstill Cob	6 yr./July 16, 2015 – February 15, 2021/Governor	Public Member	Deer Park
James L. “Jim” Minge	6 yr./May 21, 2017 – February 15, 2023/Governor	Industry	Arlington
Ricky E. “Rick” Ybarra	6 yr./May 21, 2017 – February 15, 2023/Governor	Public Member	Austin
Steven “Steve” Gilman	6 yr./July 16, 2015 – February 15, 2021/Governor	Industry	Katy
Sherri Brannon Merket	6 yr./April 15, 2011 – February 15, 2023/Governor	Public Member	Midland
Elizabeth L. “Liz” Bayless	1 yr./April 25, 2018—February 15, 2019/Governor	Public Member	Austin

Table 4 Exhibit 4 Policymaking Body

A complete set of bios on the Commission members can be found here at the following [link](#).

B. Describe the primary role and responsibilities of your policymaking body.

The Commission’s primary role is to formulate policies for overseeing the credit union system. The Commission is responsible for the overall administration of the Department, for hiring the Commissioner, for the management and administration of the Department’s funds, and for interpreting and appropriating the financial needs of the Department. The Commission is also responsible for promulgating rules that govern the credit union system, for explaining the Department’s programs and policies to the public, and for securing appropriate legislation to

further existing programs or provide for new and additional programs for the benefit of Texas citizens. Finally, the Commission reviews the grievances of employees who are not satisfied with the decision of the Commissioner on matters of discrimination, sexual harassment or other applicable laws or rules.

C. How is the chair selected?

The Governor appoints the Chair of the Commission.

D. List any special circumstances or unique features about your policymaking body or its responsibilities.

The Commission consists of five public members and four industry members. No more than one resident of a state senatorial district may serve on the Commission. The public members cannot be engaged in the management of or have a financial interest in a financial institution. In addition, registered lobbyists, and officers, employees and paid consultants of a trade association or other entity representing or affiliated with a financial institution are not eligible to serve as a Commission member. A person whose spouse is an officer, manager, or paid consultant of a trade association or affiliated entity is also ineligible to serve on the Commission.

The four industry members must currently be a director, officer or committee member of a credit union with at least five years of experience in a state or federally chartered credit union with its principal office in Texas. The industry positions may also be filled by an individual with experience as a credit union Commissioner, Deputy Commissioner or Examiner. No more than one person from a federal credit union may serve on the Commission at one time.

E. In general, how often does your policymaking body meet? How many times did it meet in FY 2017? In FY 2018?

[Finance Code §15.209](#) requires the Commission to hold at least two meetings per year. In general, the Commission meets at least three times annually. It met three times in FY 2017 and three times in FY 2018.

F. Please list or discuss all training members of the agency's policymaking body receive. How often do these members receive training?

[Finance Code §15.2041](#) requires that new Commission members complete a training course before voting, deliberating or counted in attendance at a meeting. The training must consist of information regarding the legislative history and operations of the Department, open meetings laws, public information laws, administrative procedure law, and ethics and conflict of interest

laws. The Commission has developed a four-part course which further elaborates the statutory requirements. The first part describes the composition of the Commission and the Department, including appropriations, and the enforcement of statutes and rules. The second part reviews rulemaking, open government law, contested cases and ethics laws. Part three of the course provides the historical background for the credit union movement and the responsibilities of credit union management. The final part, which is optional, allows the Commission member (usually the public member) to visit a credit union and observe the operations.

G. What information is regularly presented to your policymaking body to keep them informed about the agency's operations and performance?

Monthly accomplishment reports are provided to the Commission members including examinations completed during the month and updates on production and administration performance objectives. We also provide statutorily required reporting by the Department to various Texas agencies including, but not limited to, the Governor, Texas Auditor's Office, Office of Risk Management and the Legislature. The Department's outreach efforts and major initiatives updates are also provided.

At each Commission meeting the Department presents the Commission with communications the Department has sent or received and with the results of audits the Department has undergone. The Commission meeting packet also contains a section entitled Industry Status and Departmental Operation. Statistics on the state's credit union assets and activities, as well as departmental summaries such as EEO reports and Performance Measures are presented in this section. In addition, for the months the Commission does not meet, the Commissioner sends out a periodic report to briefly update the Commission on the Department's activities.

Commission meeting minutes and meeting packets can be found on the Departments website here at this [link](#).

H. How does your policymaking body obtain input from the public regarding issues under the jurisdiction of the agency? How is this input incorporated into the operations of your agency?

At each Commission meeting the public is invited to address the Commission about matters regarding rulemaking for future consideration by the Commission. In addition, proposed rules are published in the Texas Register and in the agency newsletter, and the public is invited to comment either in writing or at the meetings of the Rules Committee. Finally, the public is invited to suggest changes to the agency's rules at the beginning of each rule review. Public comments are addressed in writing in the preambles each time a rule is adopted or amended.

- I. If your policymaking body uses subcommittees or advisory committees to carry out its duties, fill in the following chart. For advisory committees, please note the date of creation for the committee, as well as the abolishment date as required by Texas Government Code, Section 2110.008.

In addition, please attach a copy of any reports filed by your agency under Texas Government Code, Section 2110.007 regarding an assessment of your advisory committees as Attachment 25.

Exhibit 5: Subcommittees and Advisory Committees

Name of Subcommittee or Advisory Committee	Size / Composition / How are members appointed?	Purpose / Duties	Legal Basis for Committee (statute or rule citation)	Creation and Abolishment Dates
Commissioner Evaluation	3/Commission members/Appointed by the Commission Chair	Coordinate the evaluation of the Commission and oversee succession planning.	TFC: 15.407 and 15.401; GC: 2110	1991
Rules	3/Commission members/Appointed by the Commission Chair	Deliberate and scrutinize proposed rulemaking and recommend action to the Commission.	TFC; 15.407	2009

Table 5 Exhibit 5 Subcommittees and Advisory Committees

V. Funding

A. Provide a brief description of your agency’s funding.

The Department budget is revenue neutral to the State’s General Revenue Fund. The Department is a self-directed, semi-independent agency. It generates, through fees collected from credit unions, only the revenue necessary to support its direct and indirect cost of operations. Credit unions pay these fees in addition to state taxes levied by the Legislature. Through this funding structure, state-chartered credit unions pay for all the Department’s expenses. No taxpayer funds are used to operate the Department. The Department does not receive funds from the federal government or any of its programs.

B. List all riders that significantly impact your agency’s budget.

The Department’s appropriations request seeks to balance increased demands with necessary austerity, while still ensuring that we achieve the critical aspects of our mission. To the extent that ongoing programs are administered with a slim budgetary margin, our regulatory response contingency funding rider is a vital component in addressing the Department’s mission and goals. This rider provides the Department a means to expand resources if necessary, to meet unforeseen dramatic shifts in economic conditions that would require increased supervision of credit unions. It should be noted that any and all contingency funds utilized would be fully funded by revenue generated by the Department from credit unions.

C. Show your agency’s expenditures by strategy.

**Texas Credit Union Department
Exhibit 6: Expenditures by Strategy — 2018 (Actual)**

Goal/Strategy	Amount Spent	Percent of Total	Contract Expenditures Included in Total Amount
Regulatory Oversight of Texas State-Chartered Credit Unions	\$3,867,470.56	100%	\$58,790.90
GRAND TOTAL:	\$3,867,470.56	100%	\$58,790.90

Table 6 Exhibit 6 Expenditures by Strategy

Object-of-Expense	Amount Spent
Salaries and Wages	\$2,438,881.08
Payroll Related Costs	\$756,251.51
Travel	\$435,753.57
Professional Fees and Services	\$28,099.94
Materials and Supplies	\$24,701.36
Communication and Utilities	\$45,001.06

Self-Evaluation Report

Repairs and Maintenance	\$69,172.26
Rentals and Leases	\$7,244.85
Printing and Reproduction	\$835.00
Other Expenditures	\$55,537.38
Capital Outlay	\$5,992.55
GRAND TOTAL	\$3,867,470.56

D. Show your agency’s sources of revenue. Include all local, state, and federal appropriations, all professional and operating fees, and all other sources of revenue collected by the agency, including taxes and fines.

Exhibit 7: Sources of Revenue — Fiscal Year 2018 (Actual)

Source	Amount
Operating Fees (In-State Regulated Credit Unions)	\$3,954,156.00
Out-of-State Branch Fees	\$10,500.00
Penalties	\$1,162.80
Interest and Other Income	\$25,353.58
TOTAL	\$3,991,172.38

Table 7 Exhibit 7 Sources of Revenue

E. If you receive funds from multiple federal programs, show the types of federal funding sources.

The agency does not receive funds from federal programs.

F. If applicable, provide detailed information on fees collected by your agency.

**Texas Credit Union Department
Exhibit 9: Fee Revenue — Fiscal Year 2018**

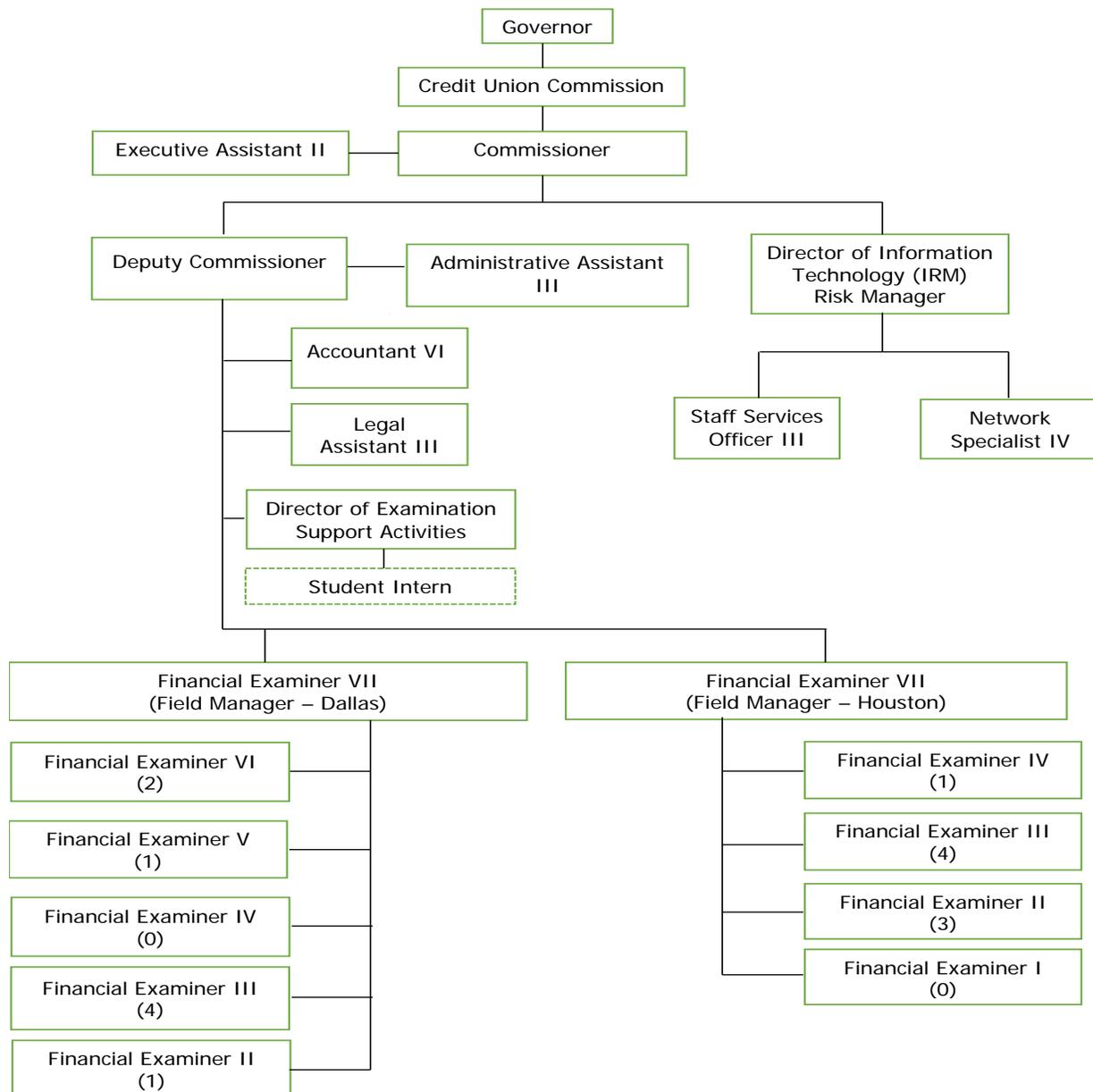
Fee Description/ Program/ Statutory Citation	Current Fee	Fees Set by Statute or Rule?	Statutory Maximum or Minimum	Number of Persons or Entities Paying Fee	Fee Revenue	Where Fee Revenue is Deposited <i>(e.g., General Revenue Fund)</i>
Operating Fees (In-State Regulated Credit Unions)	\$3,954,156.00	7 TAC 97.113(a)(b)	\$4,371,851	187	\$3,954,156	Texas Trust
Out-of-State Branch Fees	\$500 per foreign branch	7 TAC 97.113(f)	Maximum of \$500 per foreign branch (21)	11 Foreign Credit Unions	\$10,500	Texas Trust

Table 9 Exhibit 9 Fee Revenue

VI. Organization

- A. Provide an organizational chart that includes major programs and divisions, and shows the number of FTEs in each program or division. Detail should include, if possible, department heads with subordinates, and actual FTEs with budgeted FTEs in parenthesis.

TEXAS CREDIT UNION DEPARTMENT



B. If applicable, fill in the chart below listing field or regional offices.

**Texas Credit Union Department
Exhibit 10: FTEs by Location — Fiscal Year 2019**

Headquarters, Region, or Field Office	Location	Co-Location? Yes / No	Number of Budgeted FTEs FY 2019	Number of Actual FTEs (as of SER submission)
Headquarters	914 East Anderson Lane, Austin, TX	Yes	10.5	10.0
North Zone (No Office: Examiners work from their homes and in the credit unions they examine)	Dallas/Ft. Worth Area	No	10	9
South Zone (No Office: Examiners work from their homes and in the credit unions they examine)	Houston Area	No	9	10

Table 10 Exhibit 10 FTEs by Location

C. What are your agency’s FTE caps for fiscal years 2017–2020?

The Department’s FTE cap has remained the same at 29.5 FTEs since FY 2017-2019. For FY 2020 the Commission has approved an increase to 30 FTEs, with no additional costs to be incurred by the Department. The Department reclassified one of its existing positions, restructured the salary for another position and discontinued its intern position beginning in FY 2019, to fully cover the costs of the additional 0.5 FTE.

D. How many temporary or contract employees did your agency have in fiscal year 2018? Please provide a short summary of the purpose of each position, the amount of expenditures per contract employee, and the procurement method of each position.

The agency did utilize .5 FTE for the temporary intern position during fiscal year 2018.

E. List each of your agency’s key programs or functions, along with expenditures and FTEs by program.

**Texas Credit Union Department
Exhibit 11: List of Program FTEs and Expenditures — Fiscal Year 2018**

Program	Actual FTEs FY 2018	Budgeted FTEs FY 2019	Actual Expenditures FY 2018	Budgeted Expenditures FY 2019
Regulatory Oversight of Texas State Chartered Credit Unions	28.5	29.5	3,867,470.56	4,210,909

Self-Evaluation Report

Program	Actual FTEs FY 2018	Budgeted FTEs FY 2019	Actual Expenditures FY 2018	Budgeted Expenditures FY 2019
Total	28.5	29.5	3,867,470.56	4,210,909

Table 11 Exhibit 11 List of Program FTEs and Expenditures

VII. Guide to Agency Programs

Complete this section for **each** agency program (or each agency function, activity, or service if more appropriate). Copy and paste questions A through P as many times as needed to discuss each program, activity, or function. Contact Sunset staff with any questions about applying this section to your agency.

A. Provide the following information at the beginning of each program description.

<i>Name of Program or Function:</i>	<i>Regulatory Oversight, Supervision and Examination (i.e. Supervision Function)</i>
<i>Location/Division:</i>	<i>Austin/Various</i>
<i>Contact Name:</i>	<i>Deputy Commissioner Etheridge</i>
<i>Statutory Citation for Program:</i>	<i>TFC SEC 126.051</i>

B. What is the objective of this program or function? Describe the major activities performed under this program.

There are several fundamental objectives of our Supervision Function. These objectives are achieved through our Examination, Applications and Oversight processes. The Supervision Function lies at the heart of the Department's ability to ensure credit unions operate in a safe and sound manner, in accordance with applicable laws and regulatory requirements and remain viable in the competitive financial services industry.

EXAMINATION

The examination process fulfills several objectives of the Department. Aspects of this process include periodic on-site examination of each credit union, and additional follow-up contacts when necessary to address any material safety and soundness or compliance deficiencies. The program also includes ongoing off-site monitoring of each credit union's financial condition and operating performance. Credit unions are required to submit a standardized financial and statistical report to the Department for each calendar quarter.

The first objective relates to the maintenance of public confidence in the integrity of the credit union system and in individual credit unions. Such confidence is essential because members of credit unions serve as the source of funding. Without this funding, credit unions would be unable to meet their most fundamental objective of providing financial services. The existence of

unhealthy or deteriorating conditions, which may threaten this integrity, should be disclosed through the examiner's evaluation of the credit union's Capital adequacy, Asset quality, Management, Earnings capacity, Liquidity and Interest Rate Sensitivity position (CAMELS).

Second, the periodic on-premises examination provides the best means of determining the credit union's adherence to laws and rules. Ensuring compliance with statutory and regulatory requirements has traditionally been given high priority by the Department.

A third objective concerns the role examinations play in protecting the financial integrity of the share/deposit insurance funds. That is, the examination process can help prevent problem situations from remaining uncorrected and deteriorating to the point where costly financial assistance by the NCUA, ASI or even a payoff of depositors, becomes unavoidable.

Finally, the examination supplies the Department with an understanding of the nature and quality of the institution's inherent risk structure, adequacy of risk management and the relative adequacy of capital and earnings levels. In a stressed credit union scenario, the examination provides an indication of the relative seriousness, and ultimate cause of a credit union's problems, and thus a factual foundation to soundly base corrective measures, recommendations and instructions. Thus, the examination plays a very key role in the supervisory program.

APPLICATIONS

The objective of the Applications process is to provide for a timely and effective system of reviewing and acting upon applications submitted by credit unions. Specific operational changes requested and considered by the Department include amendments to a credit union's articles of incorporation, changes to the bylaws, amendments to the designated field of membership, a voluntary merger with another credit union, new credit union charter, and charter conversions. Each of these processes involves the credit union submitting a [standardized application](#) and demonstrating that the proposed change is consistent with the statutory requirements of the Texas Finance Code and/or applicable requirements of the Texas Administrative Code. The publication of a notice of receipt for each application in the Texas Register and Department newsletter is provided to allow for public input in the decision-making process.

OVERSIGHT

The Oversight process establishes regulations, policies, operating guidance, and interpretations of general applicability to credit unions. These regulations, policies, and interpretations may set system-wide standards, define acceptable credit union practices, provide guidance on risks and responsibilities facing credit unions, or restrict credit union practices deemed to be imprudent or unsafe. Although the program makes up a relatively limited portion of the Department's

expenditures, the process consists of numerous oversight responsibilities, including establishing reasonable and necessary fees for the administration of the Department.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? In Exhibit 12, provide a list of statistics and performance measures that best convey the effectiveness and efficiency of this program or function. Also, please provide the calculation or methodology behind each statistic or performance measure. Please do not repeat measures listed in Exhibit 2 unless necessary to understand the program or function.

The Department uses a composite rating known as CAMELS to determine the overall condition of credit unions. The rating, which provides a framework for evaluating significant financial, operational, and compliance factors, has a scale of 1 through 5, in which 1 is the best. CAMELS ratings are assigned at the completion of every examination. As of August 2018, of the 185 credit unions under the Department’s supervision, only four were assigned a “4” rating and no credit unions were assigned a “5” rating. Eighty-seven percent of Texas chartered credit unions, containing ninety-seven percent of the assets under supervision, are considered well managed; i.e. with composite CAMELS ratings 1 or 2.

The National Credit Union Administration classifies insured credit unions into five categories (well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized) based on the capital levels relative to their risks. As of August 2018, 97% of credit unions were categorized as well-capitalized. This figure has increased to 100% as of March 31, 2019. Credit unions’ capital has remained at high levels for the past several years.

The Department also has examination related performance measures that are measured and reported each quarter. Key examination ratios include:

Exhibit 12: Program Statistics and Performance Measures — Fiscal Year 2018

Program Statistics or Performance Measures	Dataset Reference Number* (if applicable)	Calculation (if applicable)	FY 2018 Target	FY 2018 Actual Performance	FY 2018 % of Annual Target
<i>Number of Regular Examinations</i>	1	**	150	151	101%
Number of Follow-up Contacts	1	**	25	31	124%
<i>% of Credit Unions with Composite CAMEL Ratings of 1 or 2</i>	1	**	<i>Informational</i>	87%	<i>n/a</i>

Self-Evaluation Report

Program Statistics or Performance Measures	Dataset Reference Number* (if applicable)	Calculation (if applicable)	FY 2018 Target	FY 2018 Actual Performance	FY 2018 % of Annual Target
% of Credit Unions with Assets Held in Credit Unions with Composite CAMEL Ratings of 1 or 2	1	**	Informational	97%	n/a
Percentage of Credit Unions that are Well Capitalized	1, 2	**	Informational	97%	n/a
Percentage of Credit Unions Receiving Regular Examination Annually	1	151/185	80%	81.6%	101%
% of Available Time Utilized to Conduct Regular and Remedial Exam Work (i.e. E-Time Ratio)	CAPPS	**	65%	65.53%	101%

Table 12 Exhibit 12 Program Statistics and Performance Measures *See Exhibit 3; **See Performance Measure Definitions for Method of Calculation.

For fiscal year 2019, the Department also added additional examination related performance measures that are measured and reported each quarter. The added key measures include:

- Average Cost per Credit Union Examination
- Average Regulated Assets per Examiner (billion)
- Department Costs Relative to Every \$100k in Assets Regulated
- Assets Examined per Examiner Day
- Average Time to Complete Analysis of Quarterly Financial Data

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent. If the response to Section III of this report is sufficient, please leave this section blank.

The Department utilizes a risk-focused approach to examinations to minimize regulatory burden and direct resources to areas that carry significant potential risk. The Department, however, continues to monitor the effectiveness of its risk-focused procedures and any related resource reductions to ensure this approach does not compromise examination quality or results and to ensure appropriate review of current products and services. In addition, the Department must also ensure credit unions have adequate corporate governance structures relative to the credit union’s size, complexity and risk profile to prevent financial losses and maintain confidence in those entrusted with operating the institutions. And, finally, it is important that the Department’s follow-up processes be effective to ensure individual institutions promptly comply with supervisory actions enacted as a result of the examination process.

The Applications and Oversight process have not changed significantly since the Commission was provided oversight responsibility upon creation of the Department in 1969.

E. List any qualifications or eligibility requirements for persons or entities affected by this program, such as licensees, consumers, landowners, for example. Provide a statistical breakdown of persons or entities affected.

The examination program directly involves the 185 Texas credit unions and indirectly their 3.8 million members. Each credit union has been issued articles of incorporation and authorized to operate in Texas by the Department. A breakdown of the credit unions under the Department’s supervision by asset size is included below:

Number of CU’s	Asset Size
6	<\$1 million
36	\$1 million - \$10 million
57	\$10 million - \$50 million
26	\$50 million - \$100 million
36	\$100 million - \$500 million
24	>\$500 million
185	Data as of August 31, 2018

F. Describe how your program or function is administered, including a description of the processes involved in the program or function. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. Indicate how field/regional services are used, if applicable.

EXAMINATION

The Deputy Commissioner and Director of Examination Support Activities oversee the examination process. The examination program involves a staff of 19 field examiners, including 2 field supervisors, located in the Dallas and Houston metropolitan areas. Examiners are assigned a district of credit unions in accordance with their tenure and experience level. An on-site examination on each credit union is completed in accordance with the Department’s examination policies and procedures.

The examiner evaluates the financial status, risk profile and risk management techniques the of credit unions using a standardized examination software program used by most other states and the federal government. Upon completion of the on-site work, an exit meeting is held with the credit union’s management and/or board of directors depending on the extent of any

deficiencies identified during the examination. The exit meeting includes a discussion of the findings and an attempt to reach agreement with the officials regarding corrective actions if necessary. A written report is then prepared by the examiner and submitted to the Austin office for review. The report includes the examiner's findings and a document of resolution that details the agreement reached on corrective actions. Each examination report is reviewed by the Director of Examination Support Activities or Deputy Commissioner before being finalized and submitted to the credit union's board of directors. The Department's internal goal is to mail each completed examination report to the credit union within 21 days of the examiner's last day on site at the credit union.

APPLICATION

The Applications program is managed by the Commissioner. An application is initiated by the credit union submitting a Department approved application form for the proposed organizational change. Department staff reviews the application to determine whether it is complete in terms of the applicable statutory and regulatory requirements established by the Commission. Once the application is deemed to be complete, notice of the proposed activity/change is published in the Texas Register and Department newsletter for a 30-day comment period. A determination to approve or deny the proposed application is made based on the supporting information, public input and regulatory compliance. If an application is denied, an independent appeal process is available to the credit union through a hearing before the State Office of Administrative Hearings with the Commission being the ultimate decision-maker.

OVERSIGHT

The Commission establishes the Rule structure applicable to Texas chartered credit unions as established by the state legislature. The Commission is composed of nine members appointed by the Governor with the advice and consent of the Senate. Commission members serve staggered terms of six years, with one-third of the members' terms expiring in each odd-numbered year. The Commission holds a statutory minimum of two regular meetings each year. A Rules Committee, comprised of Commission members, may also hold open meetings periodically during the year to complete preliminary assessments of substantive changes in administrative rules scheduled for review. Communication of additional information to the Commission between meetings is achieved through periodic report memos from the Commissioner to the Commission. The Commission chairman and vice-chairman also communicate on an ongoing basis with the Commissioner to establish the agenda for meetings. The Commission establishes the strategic goals of the Commissioner in his work with the state, federal legislatures and the various federal executive agencies impacting credit union regulation.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

As an SDSI agency, the Supervision Function is appropriated by the Credit Union Commission. Furthermore, the Department is a solely funded by operating fee assessments made twice a year to all Texas chartered credit unions. It generates only the revenue necessary to support its direct and indirect cost of operations with no support from the any other funding source. The Department's operating fee schedule is detailed in [7 TAC 97.113](#). Our operating fees, on average, approximate only 45% of the operating fee charged by our federal counterpart. Through this funding structure, the Texas chartered credit union industry supports the Department's budget. No Texas taxpayer funds are used to operate the Department. The Department does not receive any funds from the federal government.

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions to the target population. Describe the similarities and differences.

The presence of both federal and state authorities has brought all credit unions under the regulatory authority of more than one agency.

The National Credit Union Administration (NCUA) is the independent federal agency that charters and supervises federal credit unions. NCUA, backed by the full faith and credit of the U.S. government, also operates the National Credit Union Share Insurance Fund (NCUSIF) insuring the deposits of all federal credit unions and many state-chartered credit unions. American Share Insurance (ASI) provides a private industry deposit insurance alternative to privately insured Texas charters. As of fiscal year-end 2018, 180 of Texas chartered credit unions with approximately 98% of the assets regulated were federally insured, while five credit unions were privately insured through ASI.

The NCUA is authorized to make special examinations of any insured credit union when it is necessary to determine the condition of the credit union for insurance purposes. In order to eliminate redundant examinations, the NCUA's current policy is to participate in the examination of credit unions supervised by the Department only when the examinations represent a joint effort or are confined to special circumstances.

The NCUA has a variety of enforcement powers to carry out its credit union deposit insurance responsibilities. These powers include the ability to terminate deposit insurance at insured credit unions and to issue cease and desist orders, remove credit union officials and levy fines at

federally insured credit unions. The NCUA may also appoint itself as conservator or receiver of an insured credit union when deemed necessary to reduce the risk of insurance fund losses.

The Department also works with the private insurer, ASI, relating to examinations of the five privately insured institutions chartered by Texas. While lacking the authority of a regulatory agency, ASI provides significant authorities directly related to insurance coverage provisions to resolve problematic institutions and the Departmental regulatory options remain a viable alternative to all privately-insured institutions within this agency's portfolio.

Additionally, we have ten credit unions chartered in seven other states that operate eighteen offices in Texas. The Department shares jurisdiction over the business conducted in Texas by these foreign credit unions with the regulatory agency that supervises credit unions from that state.

The organizational features of these agencies vary from state to state. Credit unions chartered by the state, however, must follow applicable state laws and regulations. Although state supervisory policies vary from state to state, the National Association of State Credit Union Supervisors offers an opportunity for discussing issues of common interest to all credit union regulators. It further assists states in maintaining efficient and effective credit union regulatory and supervisory programs.

State regulatory agencies issue credit union charters, conduct credit union examinations, construct and enforce credit union regulations, and rule on proposed branch and merger applications. To enforce regulatory policies, they can impose a number of sanctions. Almost all states empower their regulatory agencies to revoke a state credit union's charter for unsafe and unsound practices, and most state agencies can also issue cease and desist orders, remove credit union officials, and levy fines.

- I. **Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.**

To improve supervisory efficiencies while at the same time reducing regulatory burdens on credit unions, the Department works closely with NCUA to share resources necessary to complete our individual regulatory mandates. While NCUA recognizes that the Department bears the primary responsibility for regulating and supervising Texas chartered credit unions, the Department allows NCUA to monitor the continued insurability of those credit unions. Communication between the Department and NCUA regarding concerns identified is of great importance to a successful working relationship. Each year, NCUA feels it necessary to examine some credit

unions at the same time as the Department. As a pilot program in 2019 the Department initiated a Joint Examination program with the NCUA that will test increased sharing of resources to conduct an examination and issue a report jointly with the NCUA.

In order to more effectively carry out our regulatory responsibilities with respect to the ten out-of-state credit unions operating in Texas, the Department has signed the Nationwide Cooperative Agreement for the Supervision of State Chartered Credit Unions Operating in a Multi-State Environment, which was developed by the National Association of State Credit Union Supervisors. This Agreement establishes guidelines designed to assist our efforts to promote increased coordination, cooperation, and communication in the regulation of these credit unions, while maintaining safe and sound credit union operations for the citizens of the respective states. In addition, to augment this Nationwide Agreement, the Department has negotiated Agreements with specific states to coordinate supervisory actions with regard to credit unions with offices in both Texas and the other state.

J. If the program or function works with local, regional, or federal units of government, include a brief description of these entities and their relationship to the agency.

The Department's Supervision Program includes involvement with the National Credit Union Administration (NCUA) and American Share Insurance (ASI) based on their role as the deposit insurer, and various state and federal agencies with specific regulatory authorities including, but not limited to, the Consumer Financial Protection Bureau (CFPB), the Federal Financial Institution Examination Council (FFIEC) and the Financial and Banking Information Infrastructure Committee (FBIIC). The Department works closely with the NCUA and ASI to monitor and control the loss exposure to the disparate share/deposit insurance funds. The Department works with CFPB to ensure fair and reasonable protections for consumers, with FFIEC on the continuing evolution of examination processes to match industry evolution and with FBIIC to help ensure the Texas and national financial services infrastructure are appropriately protected.

K. If contracted expenditures are made through this program please provide

- a short summary of the general purpose of those contracts overall;
- the amount of those expenditures in fiscal year 2018;
- the number of contracts accounting for those expenditures;
- the method used to procure contracts;
- top five contracts by dollar amount, including contractor and purpose;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

The following contracted expenditures related to the Examination program were made during fiscal year 2018:

The Department initiated 13 contracts with ten vendors during the 2018 FY for approximately \$50,800. Of those contracts approximately \$31,000 were third-party technology contracts to support the agency's processes including printer leasing, website hosting, data storage, backup and security. Approximately \$12,000 in contracts were used to support communications and internet access to the Agency's decentralized field staff. The remainder of the contracts involved contracts with other state agencies for support of specialized functions or building maintenance. The Department's use of contracted IT support is necessary to ensure the efficiency of processes and security of data entrusted to the agency.

L. Provide information on any grants awarded by the program.

N/A

M. Are there any barriers or challenges that impede the program's performance, including any outdated or ineffective state laws? Explain.

No specific statutory barriers are currently identified that impede the effectiveness of the Supervision Program.

N. Provide any additional information needed to gain a preliminary understanding of the program or function.

Credit unions are not in business to make money by providing financial services. In part, they are in business to provide financial services because members want and need them. But the real goal of a credit union is to help improve member lives through effective use of their financial resources. Accordingly, credit unions are self-supporting concerns whose mission is service. Adequate income is necessary, but decisions are not wholly driven by profitability and instead are primarily established by the needs of the members. Therefore, it is important Supervisory policies and procedures take this orientation into consideration while assessing a credit union's overall financial condition and its management practices and policies.

O. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe

- why the regulation is needed;
- the scope of, and procedures for, inspections or audits of regulated entities;
- follow-up activities conducted when non-compliance is identified;
- sanctions available to the agency to ensure compliance; and

- **procedures for handling consumer/public complaints against regulated entities.**

Regulatory oversight of Texas credit unions is necessary to safeguard the public interest and ensure consumer confidence in the industry. A loss of consumer confidence in the financial service industry would have a significant adverse effect throughout the Texas and national economies.

Safety and soundness examinations of Texas chartered credit unions are performed in accordance with standards established by the Federal Financial Institutions Examination Council ([FFIEC](#)) and the National Credit Union Administration ([NCUA](#)) as well as accreditation standards established by the National Association of State Credit Union Supervisors ([NASCUS](#)). Examinations are conducted as a review of compliance with federal and state laws impacting credit unions, assessment of credit union risk profile and the adequacy of risk management practices found at the institution. Based on FFIEC standards, an assessment is made of the institution's ability to continue as a going concern based on its adequacy of earnings and capital and the relative risks presented by the institution's activities and risk management processes. CAMELS ratings are provided to the institution's board through a formal reporting process, along with any areas of regulatory concern that must be addressed. The Department continues to monitor regulatory concerns noted until there is a reasonable resolution of each issue. Most violations or deficiencies are discovered during the Department's on-site examinations.

The Department has a range of informal and formal enforcement powers, to address violations of laws or rules and unsafe or unsound practices. These enforcement powers are structured so that the Commissioner may vary an enforcement action according to the seriousness of the deficiency.

While most problems are resolved through informal methods, the Commissioner may take stronger enforcement action when problems persist. The Commissioner's first formal action is usually to issue a cease and desist order. The order demands that the practices or violations be discontinued and contains specific monetary penalties for non-compliance. In more severe cases, the Commissioner may issue an order removing from office or employment directors or employees of the credit union. When necessary, the Commissioner is authorized to take over the operation of a credit union by placing it in conservatorship. Finally, if the interests of credit union members are sufficiently jeopardized through insolvency or imminent insolvency, the Commissioner may order involuntary liquidation.

The complaint process is a strong component of the examination program. Complaints are reviewed for potential violations of state and federal regulations, including consumer protections laws, and potential systemic weaknesses within an institution that may indicate safety and soundness concerns. Further, when appropriate, the Department assists to mediate complainant

issues and provide complainant education to aid successful resolution. [Here](#) is a link to the Departments website to handle member complaints against a credit union.

- P. For each regulatory program, if applicable, provide detailed information on complaint investigation and resolution. Please adjust the chart headings as needed to better reflect your agency’s particular programs. If necessary to understand the data, please include a brief description of the methodology supporting each measure.**

The Department provides a voluntary survey to every credit union each year to assess the quality of the service provided by the Department. Appeals of Department actions can be made to the Commission through [TFC Section 122.007](#) and/or [TAC Chapter 93](#).

**Texas Credit Union Department
Exhibit 13: Information on Complaints Against Regulated Persons or Entities
Fiscal Years 2017 and 2018**

	Fiscal Year 2017	Fiscal Year 2018
Total number of regulated persons	0	0
Total number of regulated entities	187	185
Total number of entities inspected	170	151
Total number of complaints received from the public	280	338
Total number of complaints initiated by agency	0	0
Number of complaints pending from prior years	0	0
Number of complaints found to be non-jurisdictional	6	5
Number of jurisdictional complaints found to be without merit	18	33
Number of complaints resolved	280	338
Average number of days for complaint resolution	12	15

Table 13 Exhibit 13 Information on Complaints Against Persons or Entities

Enforcement Actions Issued - State-Chartered Credit Unions	Fiscal Year 2017	Fiscal Year 2018
Letter of Understanding and Agreement	0	0
Determination Letter	0	3
Cease and Desist Order	3	1
Conservatorship	0	0
Liquidations	0	0

VIII. Statutory Authority and Recent Legislation

- A. Fill in the following charts, listing citations for all state and federal statutes that grant authority to or otherwise significantly impact your agency. Do not include general state statutes that apply to all agencies, such as the Public Information Act, the Open Meetings Act, or the Administrative Procedure Act. Provide information on Attorney General opinions from FY 2013–2018, or earlier significant Attorney General opinions, that affect your agency’s operations.

**Texas Credit Union Department
Exhibit 14: Statutes / Attorney General Opinions**

Statutes

Citation / Title	Authority / Impact on Agency <i>(e.g., “provides authority to license and regulate nursing home administrators”)</i>
Finance Code, Title 2, Chapter 15	Composition of the Credit Union Commission and Department; Powers and Duties of the Commission and Commissioner
Finance Code, Title 3, Subtitle D, Chapters 121 , 122 , 123 , 124 , 125 , 126 , 149	Provides Authority to incorporate and regulate state-chartered credit unions.
Government Code, Subchapter F, Section 411.1407	Provides the Department with access to criminal history record information for credit union incorporators, credit union board members, applicants for employment and current employees.
Finance Code, Title 2, Chapter 16	Defined the Credit Union Department as a self-directed, semi-independent agency.

Table 14 Exhibit 14 Statutes

Attorney General Opinions

Attorney General Opinion No.	Impact on Agency
N/A	

Table 15 Exhibit 14 Attorney General Opinions

- B. Provide a summary of significant legislation regarding your agency by filling in the charts below or attaching information already available in an agency-developed format. Briefly summarize the key provisions. For bills that did not pass but were significant, briefly explain the key provisions and issues that resulted in failure of the bill to pass (e.g., opposition to a new fee, or high cost of implementation). Place an asterisk next to bills that could have a major impact on the agency.

**Texas Credit Union Department
Exhibit 15: 86th Legislative Session**

Legislation Enacted

Bill Number	Author	Summary of Key Provisions
N/A		

Table 16 Exhibit 15 Legislation Enacted 86th Leg

Legislation Not Passed

Bill Number	Author	Summary of Key Provisions / Reason Bill Did Not Pass
N/A		

Table 17 Exhibit 15 Legislation Not Passed 86th Leg

IX. Major Issues

The purpose of this section is to briefly describe any potential issues raised by your agency, the Legislature, or stakeholders that Sunset could help address through changes in statute to improve your agency's operations and service delivery. Inclusion of an issue does not indicate support, or opposition, for the issue by the agency's board or staff. Instead, this section is intended to give the Sunset Commission a basic understanding of the issues so staff can collect more information during our detailed research on your agency. Some questions to ask in preparing this section may include: (1) How can your agency do a better job in meeting the needs of customers or in achieving agency goals? (2) What barriers exist that limit your agency's ability to get the job done?

Emphasis should be given to issues appropriate for resolution through changes in state law. Issues related to funding or actions by other governmental entities (federal, local, quasi-governmental, etc.) may be included, but the Sunset Commission has no authority in the appropriations process or with other units of government. If these types of issues are included, the focus should be on solutions that can be enacted in state law. This section contains the following three components.

A1. Brief Description of Issue

STAFF TURNOVER

B1. Discussion

Background.

The greatest challenge to the Department's ability to achieve its objectives is the successful recruitment and retention of qualified staff. Successfully competing for examiners with the requisite knowledge and skills is one of the more challenging tasks faced by the Department. In the past examiner turnover due to the Department's inability to maintain a competitive salary package was a significant obstacle to Department goals with turnover rates sometimes exceeding 20%. Experienced examination staff are required to have a thorough understanding of accounting, legal and regulatory compliance issues in a highly regulated industry, and significant risk management, internal controls/audit experience.

C1. Possible Solutions and Impact

With the oversight of the Commission and support of the industry, the Department has made significant progress lowering examiner turnover rates to approximately 5% over the last three years and the agency continues to strive to ensure industry oversight is not weakened by high

examination staff turnover. The Commission has approved use of merit funds within the annual budget cycle to recognize staff based on performance.

The improved turnover performance results in the Department maintaining a more experienced and motivated workforce with significant reduction in on-the-job training resource allocation and improved examination performance including more efficient and effective institution interactions with staff.

A2. Brief Description of Issue

STATE AND FEDERAL REGULATORY CHANGES

B2. Discussion

Background.

There are always pending changes in federal and state law and outstanding court cases which could impact the Department, but none currently are forecasted that have an obvious significant impact. Changes in the state laws impacting appropriate evolution of state-chartered credit unions or imposing additional taxes would have the most significant effect on Department operations. Secondly, federal law negatively impacting the state-chartered credit union federal income tax exemption status while maintaining federal credit union exemption would impact the Department. Finally, preemption of state law by federal statutes is another concern. Such issues are monitored by the Department at both the state and national levels. If significant competitive disadvantages developed between the Texas state credit union charter and its financial services competition, the Department's authority over many Texas credit unions could be hindered and/or diminish the quality of financial services provided to Texans.

The Department continues to be actively involved at the state level through the legislative and rulemaking process to ensure the state charter remains a competitive option. Further the Department is highly involved with working groups from NASCUS and NCUA to keep abreast of potential changes in national legislative or rulemaking which may impact the Department or the industry it regulates.

C2. Possible Solutions and Impact

The Department continues to be actively involved in all aspects of the legislative and rulemaking processes at the state and national levels to ensure the competitiveness of the charter and the quality of the Department's regulatory authority.

A3. Brief Description of Issue

FOREIGN CHARTER COMPETITION WITH NO PHYSICAL PRESENCE IN TEXAS

B3. Discussion

Background.

Competition from foreign credit unions and non-Texas domesticated federal credit unions has substantially increased. While some of those institutions have chosen to build branches within the state, many provide services to Texas citizens through electronic delivery channels without “brick and mortar” assets held in the state. This results in Texas chartered credit unions in direct competition with institutions without physical branches within the state.

While granting automatic parity with federal credit unions, [TFA Sec. 123.003](#) requires Commissioner approval for any enlargement of powers related to those authorities which are approved for a foreign state credit union by their regulator. However, to be considered for any enlargement of powers, the Act requires a foreign state charter holding the authority requested to operate a branch within the state. Given the level of financial services provided through web and application-based methods and the lack of physical presence requirement for a foreign credit union to be deemed as doing business in this state, found in [TFA Sec. 122.013](#), retaining this statutory language puts Texas chartered credit unions at a competitive disadvantage to foreign state charters.

The Department, in its role as a regulator, is charged with comprehensively studying the statutes as they relate to credit unions in [TFA Sec. 15.103](#) and to administer the Texas Credit Union Act, including public policy outlined in [TFA Sec 121.0011](#) to:

“maintain sound credit union growth and financial integrity, fiscal responsibility, and independent judgement in the management of the business affairs of credit unions, to permit credit unions to effectively provide a full array of financial and financially related services, to provide effective supervision and regulation of credit unions and their fields of membership, and to clarify and modernize the law governing the credit unions doing business in this state”.

C3. Possible Solutions and Impact

The Sunset Commission and the Texas Legislature should consider the impact of this competitive disadvantage and inconsistency amongst the regulations. The Department recommends, at a minimum removing the requirement that a competing foreign credit union must have a branch in Texas, to be considered a competitor. This change is necessary to reflect the increasing amount of electronic delivery methods present in today’s financial services sector. Serious consideration should be made to foreign state credit union statutes like Michigan’s [MCL 490.208](#) that provides a Michigan credit union’s ability to request new authorities to compete with any “competing entities providing financial services” if those services can be provided in a safe and sound manner as opined by the Commissioner.

Such a change would meet the public policy requirements of ensuring Texas credit unions are able to maintain competitiveness against foreign state-chartered credit unions and ensure low-cost, safe financial services are available to Texas residents. The Department's required approval of such authority requests would ensure no unwarranted powers would be granted and keep in check any negative implications of the statutory change to safety and soundness or the Department's ability to supervise such activity.

X. Other Contacts

- A. Fill in the following charts with updated information on people with an interest in your agency and be sure to include the most recent email address.

**Texas Credit Union Department
Exhibit 16: Contacts**

Interest Groups

(groups affected by agency actions or that represent others served by or affected by agency actions)

Group or Association Name/ Contact Person	Address	Telephone	Email Address
Cornerstone Credit Union League -- Caroline Willard, President/CEO	6801 Parkwood Blvd., Ste. 300, Plano, Texas 75024	(469) 385-6404	cwillard@cornerstoneleague.coop
Credit Union Coalition -- Melodie Durst, Executive Director	P. O. Box 171089 Austin, Texas 78717	(512) 435-4214	mdurst@Uhcu.org

Table 18 Exhibit 16 Interest Groups

Interagency, State, or National Associations

(that serve as an information clearinghouse or regularly interact with your agency)

Group or Association Name/ Contact Person	Address	Telephone	Email Address
National Association of State Credit Union Supervisors (NASCUS) – Lucy Ito, President/CEO	1655 North Fort Myer Drive, Ste. 650, Arlington, VA 22209	(703) 528-8351	lito@nascus.org
National Credit Union Administration (NCUA) – Keith C. Morton, Southern Regional Director	4807 Spicewood Springs Road, Ste. 5200, Austin, Texas 78759-8490	(512) 342-5600	ckmorton@ncua.gov

Table 19 Exhibit 16 Interagency, State, and National Association

Liaisons at Other State Agencies

(with which your agency maintains an ongoing relationship, e.g., the agency’s assigned analyst at the Legislative Budget Board, or attorney at the Attorney General’s office)

Agency Name / Relationship / Contact Person	Address	Telephone	Email Address
Legislative Budget Board (LBB) – Sarah Keyton, Assistant Director and John McGeady, Assistant Director	1501 Congress Avenue, 5 th Floor, Austin, Texas 78701	(512) 463-6679 (512) 463-7533	Sarah.keyton@lbb.texas.gov John.mcgeady@lbb.texas.gov

Self-Evaluation Report

Agency Name / Relationship / Contact Person	Address	Telephone	Email Address
Comptroller of Public Accounts – Vivi Castellano	111 E. 17 th Street Austin, Texas 78774	(512) 936-6137	Vivi.castellano@cpa.texas.gov
Office of Attorney General (AG’s) – Melissa Juarez, Assistant Attorney General	300 W. 15 th Street Austin, Texas 78701	(512) 475-3209	Melissa.juarez@aog.texas.gov
Department of Banking – Charles G. Cooper, Commissioner	2601 N. Lamar Street Austin, Texas 78705	(512) 475-1325	Charles.cooper@dob.texas.gov
Office of Consumer Credit – Leslie L. Pettijohn, Commissioner	2601 N. Lamar Street Austin, Texas 78705	(512) 936-7640	Leslie.pettijohn@occc.texas.gov
Department of Savings and Mortgage Lending – Caroline C. Jones, Commissioner	2601 N. Lamar Street, Ste. 201 Austin, Texas 78705	(512) 475-1353	Caroline.jones@sml.texas.gov
State Securities Board – Travis J. Iles, Commissioner	208 E. 10 th Street, Austin, Texas 78701	(512) 305-8300	Tlles@ssb.texas.gov
Texas Department of Insurance – Kent Sullivan, Commissioner	333 Guadalupe Austin, Texas 78701	(512) 463-6468	Kent.sullivan@tdi.texas.gov

Table 20 Exhibit 16 Liaisons at Other State Agencies

XI. Additional Information

- A. Texas Government Code, Section 325.0075 requires agencies under review to submit a report about their reporting requirements to Sunset with the same due date as the SER. Include a list of each agency-specific report that the agency is required by statute to prepare and an evaluation of the need for each report based on whether factors or conditions have changed since the statutory requirement was put in place. Please do not include general reporting requirements applicable to all agencies, reports that have an expiration date, routine notifications or notices, posting requirements, federally mandated reports, or reports required by G.A.A. rider. If the list is longer than one page, please include it as an attachment.**

**Texas Credit Union Department
Exhibit 17: Evaluation of Agency Reporting Requirements**

Report Title	Legal Authority	Due Date and Frequency	Recipient	Description	Is the Report Still Needed? Why?
SDSI Biennial Report	Texas Finance Code 16.005(b)	Prior to each Legislative Session	Legislature and Governor	Report on certain activities of the agency	Yes. Provides Department information to the Legislature
SDSI Annual Report	Texas Finance Code 16.005(c)	November 1	Governor, Senate Finance, House Appropriations, and Legislative Budget Board	Report on certain activities of the agency	Yes. Provides Department information to the Legislature

Table 21 Exhibit 17 Agency Reporting Requirements

- B. Does the agency’s statute use "person-first respectful language" as required by Texas Government Code, Section 325.0123? Please explain and include any statutory provisions that prohibit these changes.**

The Department ensures that all correspondence to consumers are written with appropriate respect to challenges a consumer may face.

- C. Please describe how your agency receives and investigates complaints made against the agency.**

Complaints about the Department can be provided to the Commissioner or any Commission member. Complaints are investigated by the Commissioner with a report provided to the Commission to determine Department shortcomings and management’s recommended actions

to address. Depending on the scope of the necessary actions, Commission approval may be required.

Fill in the following chart detailing information on complaints regarding your agency. Do not include complaints received against people or entities you regulate.

**Texas Credit Union Department
Exhibit 18: Complaints Against the Agency — Fiscal Years 2017 and 2018**

	Fiscal Year 2017	Fiscal Year 2018
Number of complaints received	0	0
Number of complaints resolved	N/A	N/A
Number of complaints dropped / found to be without merit	N/A	N/A
Number of complaints pending from prior years	N/A	N/A
Average time period for resolution of a complaint	N/A	N/A

Table 22 Exhibit 18 Complaints Against the Agency

D. Fill in the following charts detailing your agency’s Historically Underutilized Business (HUB) purchases. See Exhibit 19 Example. Sunset is required by law to review and report this information to the Legislature.

**Texas Credit Union Department
Exhibit 19: Purchases from HUBs**

Fiscal Year 2016

Category	Total \$ Spent	Total HUB \$ Spent	Percent	Agency Specific Goal*	Statewide Goal
Heavy Construction	0	0	0	11.20%	11.20%
Building Construction	0	0	0	21.10%	21.10%
Special Trade	0	0	0	32.90%	32.90%
Professional Services	0	0	0	23.70%	23.70%
Other Services	116,003	85,030	73.30%	26.00%	26.00%
Commodities	19,311	13,185	68.28%	21.10%	21.10%
TOTAL	135,314	98,215	72.58%		

Table 23 Exhibit 19 HUB Purchases for FY 2016

* If your goals are agency specific-goals and not statewide goals, please provide the goal percentages and describe the method used to determine those goals. (TAC Title 34, Part 1, Chapter 20, Rule 20.284)

Fiscal Year 2017

Category	Total \$ Spent	Total HUB \$ Spent	Percent	Agency Specific Goal	Statewide Goal
Heavy Construction	0	0	0	11.20%	11.20%
Building Construction	0	0	0	21.10%	21.10%
Special Trade	0	0	0	32.90%	32.90%
Professional Services	0	0	0	23.70%	23.70%
Other Services	73,411	39,123	53.29%	26.00%	26.00%
Commodities	26,167	16,136	61.66%	21.10%	21.10%
TOTAL	99,578	55,259	55.49%		

Table 24 Exhibit 19 HUB Purchases for FY 2017

Fiscal Year 2018

Category	Total \$ Spent	Total HUB \$ Spent	Percent	Agency Specific Goal	Statewide Goal
Heavy Construction	0	0	0	11.20%	11.20%
Building Construction	0	0	0	21.10%	21.10%
Special Trade	47,576	0	0	32.90%	32.90%
Professional Services	0	0	0	23.70%	23.70%
Other Services	69,041	33,835	49.01%	26.00%	26.00%
Commodities	70,013	41,117	58.73%	21.10%	21.10%
TOTAL	186,631	74,952	40.16%		

Table 25 Exhibit 19 HUB Purchases for FY 2018

E. Does your agency have a HUB policy? How does your agency address performance shortfalls related to the policy? (Texas Government Code, Section 2161.003; TAC Title 34, Part 1, Rule 20.286c)

The Department has a HUB policy which is contained in [7 TAC §97.205](#). The agency takes great care to use HUBs in as many purchases as possible to avoid shortfalls and is proud of that accomplishment. In addition, the agency has a HUB Diversity Plan to ensure that our HUB purchases represent as many different minority and women-owned businesses as possible.

- F. For agencies with contracts valued at \$100,000 or more: Does your agency follow a HUB subcontracting plan to solicit bids, proposals, offers, or other applicable expressions of interest for subcontracting opportunities available for contracts of \$100,000 or more? (Texas Government Code, Section 2161.252; TAC Title 34, Part 1, Rule 20.285)**

N/A: The agency does not have contracts valued at \$100,000 or more.

- G. For agencies with biennial appropriations exceeding \$10 million, answer the following HUB questions.**

- 1. Do you have a HUB coordinator? If yes, provide name and contact information. (Texas Government Code, Section 2161.062; TAC Title 34, Part 1, Rule 20.296)**

N/A: The agency does not have biennial appropriations exceeding \$10 million.

- 2. Has your agency designed a program of HUB forums in which businesses are invited to deliver presentations that demonstrate their capability to do business with your agency? (Texas Government Code, Section 2161.066; TAC Title 34, Part 1, Rule 20.297)**

N/A: The agency does not have biennial appropriations exceeding \$10 million.

- 3. Has your agency developed a mentor-protégé program to foster long-term relationships between prime contractors and HUBs and to increase the ability of HUBs to contract with the state or to receive subcontracts under a state contract? (Texas Government Code, Section 2161.065; TAC Title 34, Part 1, Rule 20.298)**

N/A: The agency does not have biennial appropriations exceeding \$10 million.

- H. Fill in the charts below detailing your agency's Equal Employment Opportunity (EEO) statistics. Sunset is required by law to review and report this information to the Legislature. Please use only the categories provided below. For example, some agencies use the classification "paraprofessionals," which is not tracked by the state civilian workforce. Please reclassify all employees within the appropriate categories below.**

**Texas Credit Union Department
Exhibit 20: Equal Employment Opportunity Statistics**

1. Officials / Administration

Year	Total Number of Positions	Percent African-American	Statewide Civilian Workforce Percent	Percent Hispanic	Statewide Civilian Workforce Percent	Percent Female	Statewide Civilian Workforce Percent
2016	3	0.0%	7.4%	0.0%	22.1%	0.0%	37.4%
2017	4	0.0%	7.4%	25.0%	22.1%	0.0%	37.4%
2018	4	0.0%	7.4%	25.0%	22.1%	0.0%	37.4%

Table 26 Exhibit 20 EEO Statistics for Officials/Administration

2. Professional

Year	Total Number of Positions	Percent African-American	Statewide Civilian Workforce Percent	Percent Hispanic	Statewide Civilian Workforce Percent	Percent Female	Statewide Civilian Workforce Percent
2016	24	16.7%	10.4%	16.7%	19.3%	54.2%	55.3%
2017	25	24.0%	10.4%	20.0%	19.3%	48.0%	55.3%
2018	24	20.8%	10.4%	25.0%	19.3%	45.8%	55.3%

Table 27 Exhibit 20 EEO Statistics for Professionals

3. Technical

Year	Total Number of Positions	Percent African-American	Statewide Civilian Workforce Percent	Percent Hispanic	Statewide Civilian Workforce Percent	Percent Female	Statewide Civilian Workforce Percent
2016	0	0.0%	14.4%	0.0%	27.2%	0.0%	55.3%
2017	0	0.0%	14.4%	0.0%	27.2%	0.0%	55.3%
2018	0	0.0%	14.4%	0.0%	27.2%	0.0%	55.3%

Table 28 Exhibit 20 EEO Statistics for Technical

4. Administrative Support

Year	Total Number of Positions	Percent African-American	Statewide Civilian Workforce Percent	Percent Hispanic	Statewide Civilian Workforce Percent	Percent Female	Statewide Civilian Workforce Percent
2016	1	100.0%	14.8%	0.0%	34.8%	0.0%	72.1%
2017	0	0.0%	14.8%	0.0%	34.8%	0.0%	72.1%
2018	0	0.0%	14.8%	0.0%	34.8%	0.0%	72.1%

Table 29 Exhibit 20 EEO Statistics for Administrative Support

5. Service / Maintenance

Year	Total Number of Positions	Percent African-American	Statewide Civilian Workforce Percent	Percent Hispanic	Statewide Civilian Workforce Percent	Percent Female	Statewide Civilian Workforce Percent
2016	0	0.0%	13.0%	0.0%	54.1%	0.0%	51.0%
2017	0	0.0%	13.0%	0.0%	54.1%	0.0%	51.0%
2018	0	0.0%	13.0%	0.0%	54.1%	0.0%	51.0%

Table 30 Exhibit 20 EEO Statistics for Service and Maintenance

6. Skilled Craft

Year	Total Number of Positions	Percent African-American	Statewide Civilian Workforce Percent	Percent Hispanic	Statewide Civilian Workforce Percent	Percent Female	Statewide Civilian Workforce Percent
2016	0	0.0%	10.6%	0.0%	50.7%	0.0%	11.6%
2017	0	0.0%	10.6%	0.0%	50.7%	0.0%	11.6%
2018	0	0.0%	10.6%	0.0%	50.7%	0.0%	11.6%

Table 31 Exhibit 20 EEO Statistics for Skilled Craft

I. Does your agency have an equal employment opportunity policy? How does your agency address performance shortfalls related to the policy?

The agency has an Equal Employment Opportunity and Workforce Diversity Policy. The policy places the burden on supervisors to ensure that employees and prospective employees are afforded equal employment opportunities. Through the recruiting and hiring process, the Department strives to attain a workforce profile which is in parity with the statewide labor force.

XII. Agency Comments

Credit unions represent a very small part of the financial services sector and differ from other financial service institutions. Credit unions are member-owned, non-profit cooperatives designed to serve members. Each credit union's field of membership is based on factors such as employment, geography, and/or an organizational membership. Credit unions, as a financial services alternative, provide an opportunity for members to gather individual resources to ensure safe and sound financial resources are available to service their financial needs and provide an opportunity to enhance the entire membership's financial position. In contrast, banks and other financial service providers generally operate to profit their owner's return on investment.

Credit unions are by no means static. Throughout the last decade credit unions have continued to evolve to meet the changing needs of their members. While credit unions still concentrate primarily on consumer products, this evolution includes expansion into consumer and commercial mortgage lending, more complex member deposit/investment offerings and an increasing array of permissible investment products. Additionally, product delivery channels have expanded to more immediately meet the needs of members through internet and application-based solutions.

Friction between banks and credit unions has been ongoing throughout the history of the credit union movement. In recent years, banker groups have opposed efforts to allow credit unions to expand their fields of membership, increase business lending activity, and amend their net worth requirements. They have also lobbied for elimination of the credit union's federal income tax-exempt status. Although as a regulatory agency the Department is not directly involved in the credit union versus bank dispute, the future of the credit union system could be significantly influenced by legislative action or inaction. Over 8.9 million members of Texas domesticated federal and state-chartered credit unions rely on a safe, sound, and competitive system that benefits consumers. If competition from credit unions is restricted or financial services choices are limited, consumers would be the true losers. Consumers generally can find lower fees, better loan and savings rates, and more personalized service as a credit union member.

While consumers would be the most impacted in the absence of a competitive state charter, the credit union charter as an alternative represents an important public policy issue at the state, county and local municipality level. Without a competitive Texas charter, credit unions would continue to operate but would need to convert to the federal charter. Federally chartered credit unions are outside the authority of any state agency, and do not pay sales or property taxes like their Texas chartered counterparts. Further, the economic influence that Texas state-chartered credit unions wield through the reinvestment of member deposits into local communities would be reduced, as more of these funds would be invested more broadly throughout the nation. Again, while credit unions represent a very modest portion of the financial services sector, the

ramifications to those communities could be severe and potentially eliminate access to financial services in both rural and urban environments.