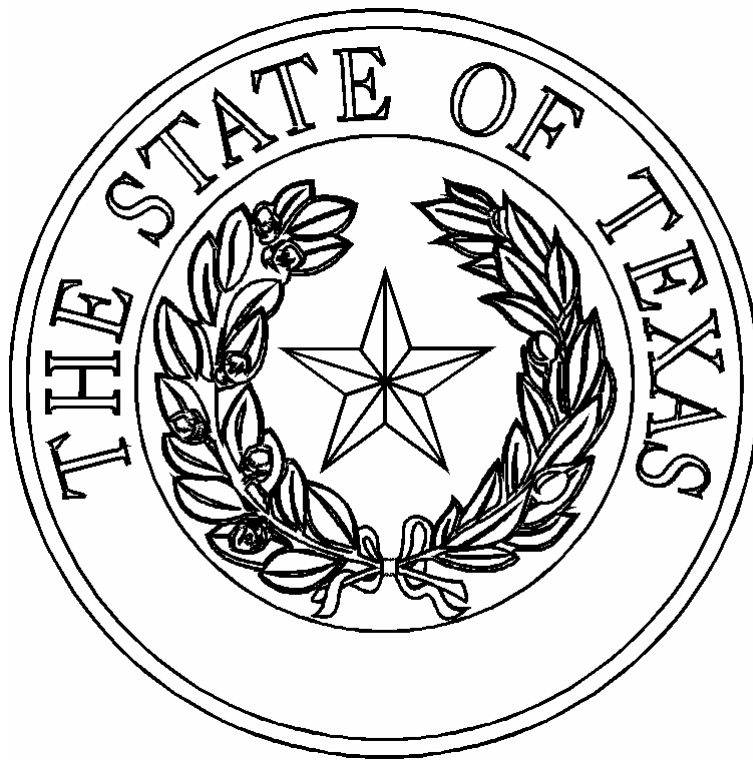


**Self-Evaluation Report  
Credit Union Commission**



**Submitted to the  
Sunset Advisory Commission**

**August 2007**

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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	E-mail Address
<b>Agency Head</b>	Harold E. Feeney Commissioner	914 E. Anderson Lane; Austin, Texas 78752	512-837-9236 (P) 512-832-0278 (F)	<a href="mailto:commissioner@tcud.state.tx.us">commissioner@tcud.state.tx.us</a>
<b>Agency's Sunset Liaison</b>	James R. Deese Deputy Commissioner	914 E. Anderson Lane; Austin, Texas 78752	512-837-9236 (P) 512-832-0278 (F)	<a href="mailto:james@tcud.state.tx.us">james@tcud.state.tx.us</a>

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 functions of chartering, regulating, and supervision, 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 to expand 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 that credit union members receive fair and timely resolution of their complaints if they are unable to resolve their problems with a credit union.

The Department supervises credit unions by conducting on-site examinations and by performing off-site monitoring. 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 annually (more frequently if the credit union is experiencing problems).

**B. Do each of your key functions continue to serve a clear and ongoing objective? Explain why each of these functions is still needed. What harm would come from no longer performing these functions?**

The functions of chartering, regulating, and supervising credit unions continue to serve a clear and ongoing objective. The most basic reason for these functions is member protection. 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 that 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 also assesses the adequacy of 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 that are provided to the member by the credit union. Regular periodic examinations identify problems and trends in credit unions and in the credit union system early enough to minimize adverse consequences for the members and hopefully avoid costly failures. If the Department no longer examined credit unions, problems would go undetected much longer and more credit unions would ultimately fail. This in turn would cause a drain on the share insurance system and would also reduce the availability of low cost financial services for Texas consumers.

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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 better understand their rights under applicable law.

The application process is still needed to accommodate changes in credit union operations, which evolve as financial institutions and services overall evolve. Allowing credit unions to change their articles of incorporation, their bylaws, or their fields of membership through the application process keeps the 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 any restrictions or oversight. In either case, the safety and soundness of the state credit union system would be jeopardized.

The oversight function 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 and from credit unions as well as responding to the evolving industry. If this function were no longer performed, the static rules would not reflect the changes in financial institutions and could compromise the credit union system.

<p><b>C. What evidence can your agency provide to show your overall effectiveness and efficiency in meeting your objectives?</b></p>
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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 in Section II of this Report.

Many of 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. Currently the Department supervises and regulates 222 credit unions with total assets of approximately \$19 billion. Ninety-nine percent of these credit unions are considered safe and sound. Credit union consolidation has reduced the overall number of institutions, but asset growth has more than doubled since the last sunset review. These credit unions now serve 2.7 million members. 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 nature of the financial services business and the demands of its members. Finally, as further evidence of the Department’s effectiveness, in a recent survey of credit unions, 99% 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 26 has remained the same in the last decade, while the annual budget of approximately 1.76 million has increased in very small increments during that period of time, largely due to the need for the Department to more reasonably compensate its examination staff. Consequently, despite the fact that the size and

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complexity of the regulated entities have grown substantially, the agency continues to achieve excellent results without additional cost to the credit union system.

**D. Does your agency's enabling law continue to correctly reflect your mission, objectives, and approach to performing your functions? Have you recommended changes to the Legislature in the past to improve your agency's operations? If so, explain. Were the changes adopted?**

The enabling law correctly reflects the agency's mission, objectives and approach to performing its functions. 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 1999 the Commission recommended to the 76<sup>th</sup> Legislature that the Credit Union Act be amended as follows:

- to authorize the Commissioner to enter into agreements with other regulators;
- to allow the Commissioner to file a consolidated IRS Form 990 for all state chartered credit unions, while protecting the state from liability for the filing;
- to authorize the Commissioner to require foreign credit unions operating in Texas to submit periodic reports;
- to provide that a report of examination is confidential; and
- to authorize the Commissioner to receive confidential information from other regulators, disclose confidential information to selected state or federal agencies, and keep information received from other agencies confidential.

The changes were adopted.

In 2003, the Commission recommended to the 78<sup>th</sup> Legislature that the Credit Union Act be amended as follows:

- to clarify the Commission's rulemaking authority;
- to convene a hearing concerning a matter before the Commissioner for decision or review;
- to authorize the Commissioner to examine related entities;
- to authorize the Commissioner to issue interpretive statements and opinions;
- to authorize the Department to contract for professional or personal services;
- to require foreign credit unions to obtain permission from the Commissioner to exercise any powers and authorities not granted in this state;
- to establish underserved area credit unions;
- to clarify issues relating to the cost of a conservatorship and authorize the Department to appoint NCUA as a liquidating agent; and
- to clarify that a credit union in the process of voluntary liquidation remains subject to examination and reporting requirements of the Commissioner.

The changes were adopted.

**E. 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 has 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 credit unions, the chartering, regulating, and supervising functions 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 has entered into agreements with agencies such as the Office of Consumer Credit Commission and the State Securities Board to provide a framework for sharing regulatory information between the Agencies that share jurisdiction over a credit union as a result of that institution's conduct of regulated financial activities. The Agreement is 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 in order 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 all 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 has entered into a Working Agreement with NCUA which recognizes that 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. On occasion, NCUA feels 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.

Further, we currently have eleven credit unions chartered in nine other states that operate twenty-two offices in Texas. The Department's jurisdiction extends to these out-of-state credit unions conducting business within our State. In order to more effectively carry out our regulatory responsibilities, 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 for regulating and supervising the interstate operations of multi-state, state chartered credit unions. These guidelines were designed to assist agencies in their 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.

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

Except for Delaware, South Dakota and Wyoming, every state provides for the chartering, regulation, and supervision of credit unions in a similar manner. The other states have a variety of relationships to other financial institution regulators but the most typical structures are: (1) Autonomous or independent unit 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. The majority 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 NCUA in a manner similar to Texas.

Having an autonomous agency allows the regulator to focus exclusively on credit unions. With the large number of state chartered credit unions in Texas, varying in asset size from \$161,470 to \$1,842,286,067, the Department can customize the examination process to fit the asset size and characteristics of a group of credit unions. Very small credit unions frequently need special attention, but require shorter examinations than the large, more complex credit unions. The independent agency structure allows for the flexibility to meet the varying credit union needs.

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

While having an autonomous agency structure gives the Department much-needed flexibility in deploying its examiners effectively, the greatest challenge to the Department's ability to achieve its objective 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. Examiner turnover due to the Department's inability to maintain a competitive salary package is the primary obstacle to achieving the Department's objective of examining all credit unions on an annual basis. After the Department invests two to four years in training, examiners frequently leave for higher pay with NCUA or another state agency. For FY 04 the examiner turnover rate was 28%; for FY 05 it was 16%; for FY 06 it was 20%.

An additional obstacle is the limited amount of funds approved for examiner training and professional development. Most available training is conducted by NCUA or the National Association of State Chartered Credit Union Supervisors (NASCUS) in cities outside of Texas. Adequate examiner training is essential to properly examine and supervise increasingly complex credit unions. For example, with the rapidity of technology developments in credit unions, the Department's ability to properly supervise and assess the risks of our credit unions' information technology (IT) operations is severely taxed. The Department must update the examiner training to keep abreast of changing technologies. The issues and methodologies for protecting confidential member information and providing a safe haven for conducting electronic transactions are crucial for the credit union industry's success.



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

Although there are pending changes in federal law and outstanding court cases which could have an impact on the Department, none have an obvious significant impact. Changes in the tax structure of credit unions would have the most significant effect on Department operations. Should laws or interpretations be amended to impose additional taxes on credit unions, the state credit union system could be in jeopardy, particularly in its ability to continue to provide consumers with low cost financial services.

**I. What are your agency's biggest opportunities for improvement in the future?**

The successful recruitment and retention of qualified examiners is both one of the Department's biggest obstacles and biggest opportunities for improvement. Assessing credit union safety and soundness requires examination by skilled examiners, and the ability to retain qualified examiners is an essential component in meeting this mission. Credit unions have grown in complexity and sophistication, requiring knowledgeable examiners, familiar with the unique characteristics of credit unions, to properly evaluate their activities. Newly hired examiners require approximately four to five years to gain sufficient knowledge and experience to handle most situations. It is therefore essential that the Department keep examiner turnover at a minimum so that a larger number of these trainees reach a tenure where they are fully capable and productive. Previous Legislatures responded positively to our needs by providing a more competitive salary structure which reduced turnover. While this measure was a significant first step, further action is needed to ensure qualified staff remain with the organization and a compensation imbalance does not again emerge.

Yet another opportunity is interaction with other entities. Although the Department has very productive working relationships with various agencies at the state and federal levels and 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.

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**J. In the following chart, provide information regarding your agency's key performance measures included in your appropriations bill pattern, including outcome, input, efficiency, and explanatory measures.**

<b>Texas Credit Union Department Exhibit 2: Key Performance Measures C Fiscal Year 2006</b>			
<b>Key Performance Measures</b>	<b>FY 2006 Target</b>	<b>FY 2006 Actual Performance</b>	<b>FY 2006 % of Annual Target</b>
Percent of Credit Unions Receiving Regular Examinations Annually	96%	89%	92.7%
Percentage of Safe and Sound Credit Unions	95%	98%	103.16%
Percentage of Complete Charter and Bylaw Applications Approved or Denied Within 60 Days	100%	100%	100%
Percentage of Rules Changes Provided to Credit Union Within 60 Days after adoption	100%	100%	100%
Number of Regular Examinations Performed	228.00	197.00	86.40%
Number of Applications Processed	153.00	60.00	39.22%
Average Cost per Regular Examination	5,732.00	7,880.00	137.47%
Number of State –Chartered Credit Unions	238.00	222.00	93.28%
Percentage of Credit Unions Providing Services to Low Income or Underserved Populations	5.60%	5.00%	89.29%

### III. History and Major Events

<b>Texas Credit Union Department</b>	
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.
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.

## IV. Policymaking Structure

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

<b>Texas Credit Union Department Exhibit 3: Policymaking Body</b>			
<b>Member Name</b>	<b>Term/ Appointment Dates/ Appointed by ___ (e.g., Governor, Lt. Governor, Speaker)</b>	<b>Qualification (e.g., public member, industry representative)</b>	<b>City</b>
Gary L. Janacek, Chair	Six year term 8/26/03-2/15/09 Governor	Industry member	Temple
Thomas F. Butler, Vice-Chair	Six year term 3/23/05-2/15/13 Governor	Public member	Deer Park
William W. "Rusty" Ballard II	Unexpired term 8/9/06-2/15/09 Governor	Public member	Waxahachie
Manuel Cavazos	Unexpired term 5/26/06-2/15/11 Governor	Public member	Austin
Mary Ann Grant	Six year term 6/26/03-2/15/09 Governor	Public member	Houston
Dale E. Kimble	Six year term 6/26/06-2/15/13 Governor	Industry member	Denton
Allyson "Missy" Morrow	Six year term 5/23/07-2/15/13 Governor	Industry member	San Benito
Barbara K. Sheffield	Six year term 1/3/05-2/15/11 Governor	Industry member	Sugar Land
Henry E. "Pete" Snow	Six year term 3/23/05-2/15/11 Governor	Public member	Texarkana

**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 the financial needs of the Department to the legislative bodies responsible for making budgetary appropriations. 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 credit union 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 2006? in FY 2007?**

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 four times in FY 2006 and three times in FY 2007.

**F. What type of training do members of your agency’s policymaking body receive?**

Finance Code §15.2041 requires that new Commission members complete a training course within 180 days of taking office. The training must consist of information regarding the 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. Does your agency have policies that describe the respective roles of the policymaking body and agency staff in running the agency? If so, describe these policies.**

The Commission has developed a matrix, set out below, which describes the respective roles of the Commission and the Commissioner and agency staff.

**DECISION MATRIX**  
(subject to legislative appropriation requirements)

<u>Description of Decision</u>	<u>Commission</u>	<u>Commissioner</u>
<b>Commissioner Compensation/Responsibilities</b>		
1. Commissioner’s compensation	D	A
2. Approval of Commissioner serving in position with other organizations	D	A
3. Evaluation of Commissioner’s performance	D	A
4. Commission’s resolution	D	A
<b>Personnel Issues</b>		
1. Individual salaries for staff		D
2. Employment/appointment of staff	M	D
3. Appointment & Termination Deputy Commissioner	A	D
4. Hire part-time and short-term temps	M	D
5. Determine number & qualifications of staff	M	D
6. Change Department’s administrative manual	A	D
7. Staff development & training	M	D
8. Administer Department’s leave program		D
<b>Organizational Structure</b>		
1. Change organizational structure of the Department	A	D
2. Change the staffing structure of the Department	A	D
<b>Budget/Fiscal Control</b>		
1. Approval of the Legislative Appropriation Request	D	R

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2. Develop and implement Department Budget	A	D
3. Approval to overspend certain categories of the budget	M	D
4. Approval of claims for reimbursement made by Commission members		D*
5. Approval of staff expenses on behalf of Department	A	D*
6. Approval of all other expenditures within budget	A	D*
7. Safeguard the assets of the Department	M	D*
8. Approval of supplemental appropriation request	D	R
9. Disbursements to pay for the purchase of items within budget limits, pay re-occurring expenses, contract for services which are within budget limits		D*
10. Execute third party contracts & interagency agreements within budget	M	D
11. Approval to seek outside legal counsel	D	R

### Public Policy Decisions

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

### Supervision/Regulatory Decisions

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

### Key:

**A:** Advised by Decision Maker - This person or group must be advised about a decision which has been made.

**D:** Decision Maker - This person or group has the authority to make the decision.

**M:** May Be Consulted - This person or group may be called in to confer, provide related information, render advice or make recommendation.

**R:** Recommends to the Decision Maker - This person or group is responsible for making recommendations for decision making to (D) the decision maker.

**X:** Appellant Decision Maker - This group has the authority/obligation to review a protested decision.

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\*: Authority but not responsibility may be delegated.

### H. What information is regularly presented to your policymaking body to keep them informed of your agency's performance?

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.

### I. 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 Legislative Advisory 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.

### J. If your policymaking body uses subcommittees or advisory committees to carry out its duties, fill in the following chart.

Texas Credit Union Department Exhibit 4: Subcommittees and Advisory Committees			
Name of Subcommittee or Advisory Committee	Size/Composition/How are members appointed?	Purpose/Duties	Legal Basis for Committee
Legislative Advisory Committee	7 members/four are Commission members and three are industry members/appointed by the Chair of the Commission	To receive public input on changes to the statute or rules; to consider changes to the statute or rules; to make recommendations to the Commission regarding proposed changes to the statute or rules	Finance Code §15.407
Commissioner Evaluation Committee	4 members/all are Commission members/appointed by the Chair of the Commission	To coordinate the annual evaluation of the Commissioner's performance and to oversee the development and maintenance of a Commissioner succession plan	Finance Code §§15.407 and 15.401



## V. Funding

### A. Provide a brief description of your agency's funding.

The Department is revenue neutral to the State's General Revenue Fund. The Department is a self-funded, self-leveling 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 any state taxes levied by the Legislature. Through this funding structure, the credit unions pay for all of 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 most 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 approved by the Legislative Budget Board and the Governor's Office, and would be fully funded by revenue generated by the Department from credit unions.

In the 80th legislative session, two new riders were added. The Department was authorized to pay examiners a federal per diem in cases where they conduct examinations with NCUA. In addition, the Department was authorized to pay examiners an overnight travel stipend after the 60<sup>th</sup> night out. No funds were appropriated for these riders, so any payments under these riders will come from the Department's current budget.

### C. Show your agency's expenditures by strategy.

<b>Texas Credit Union Department Exhibit 5: Expenditures by Strategy C Fiscal Year 2006 (Actual)</b>		
<b>Goal/Strategy</b>	<b>Total Amount</b>	<b>Contract Expenditures Included in Total Amount</b>
Goal 1.1 /Examine Credit Unions	1,548,796.92	20,213.50
Goal 2.1/ Process Applications	117,677.51	
<b>SUBTOTAL:</b>	1,666,474.43	
Goal 1.1/ Departmental Oversight	80,148.16	
<b>GRAND TOTAL:</b>	1,746,622.59	20,213.50

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**D. Show your agency's objects of expense for each category of expense listed for your agency in the General Appropriations Act FY 2007-2008.**

Texas Credit Union Department Exhibit 6: Objects of Expense by Program or Function C Fiscal Year 2007			
Object-of-Expense	13005-Examination	13002-Applications	13001-Oversight
Salaries and Wages	1,098,799.21	69,500.31	61,991.49
Other Personnel Costs	51,820.00	0	0
Professional fees and Services	4,052.00	599.40	379.60
Consumable Supplies	3,512.08	895.91	489.76
Utilities	7,859.56	1,523.03	1,097.72
Travel	211,148.00	757.37	10,390.73
Rent-Machine Other	3,778.39	755.73	502.28
Other Operating Expense	39,139.98	6,104.59	5,818.23
<b>Total</b>	1,420,109.22	80,106.34	80,669.81

**E. 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.**

Texas Credit Union Department Exhibit 7: Sources of Revenue C Fiscal Year 2006 (Actual)	
Source	Amount
General Revenue Fund	2,068,899.60
Appropriated Receipts	5,964.35
<b>TOTAL</b>	2,075,436.40

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

The agency does not receive funds from federal programs.

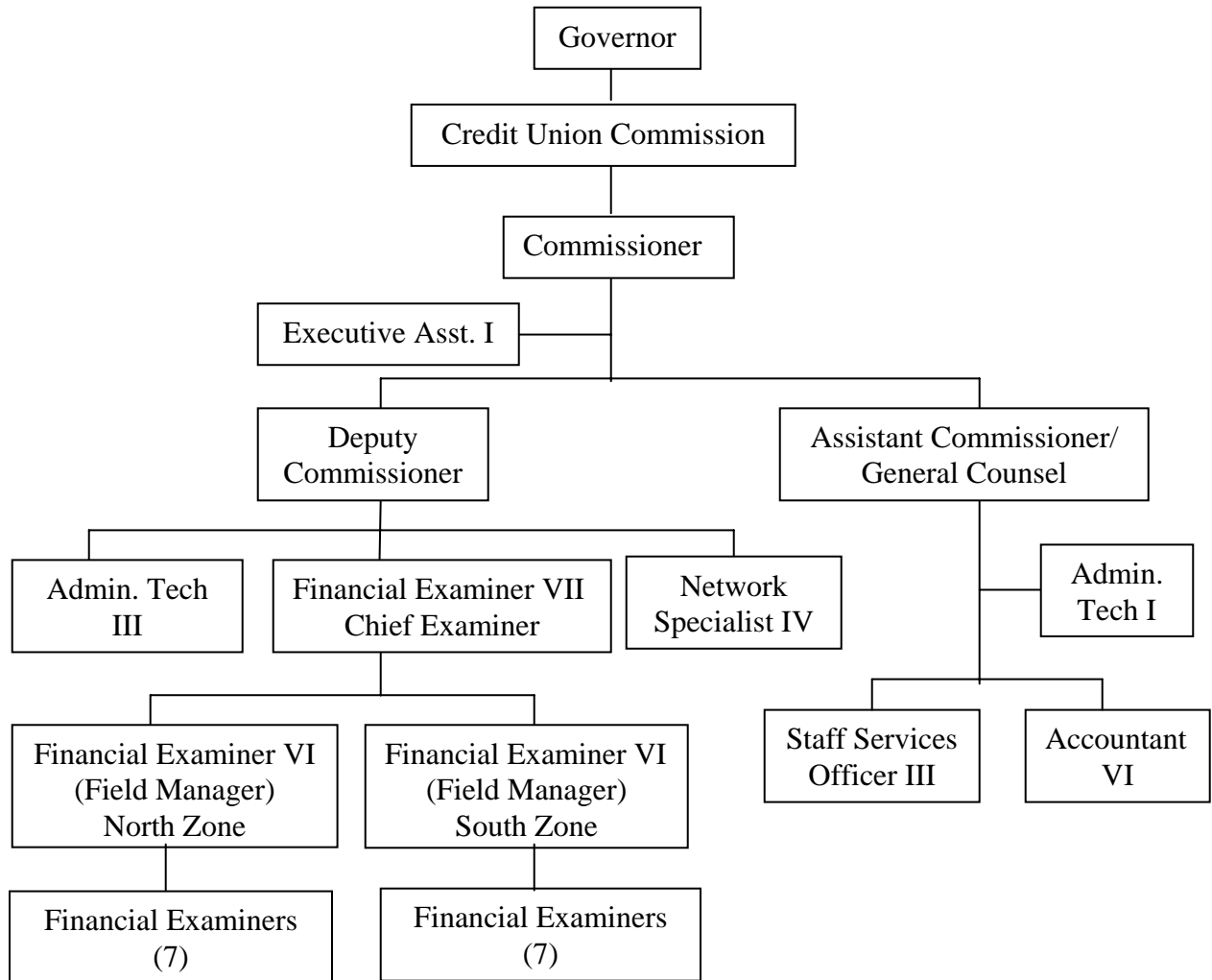
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**G. If applicable, provide detailed information on fees collected by your agency.**

Texas Credit Union Department Exhibit 9: Fee Revenue C Fiscal Year 2006				
Fee Description/ Program/ Statutory Citation	Current Fee/ Statutory maximum	Number of persons or entities paying fee	Fee Revenue	Where Fee Revenue is Deposited (e.g., General Revenue Fund)
Operating Fee	Assets \$1,000M and over	214	2,050,751.42	GR
Out of State Branches (OSB) Operating Fee	\$500	12	11,500	GR
Penalties	10% of operating fee	5	1,628.18	GR
Operating Fee assets less than \$200,000	\$200	1	152.4	GR
Branch Permit	\$500 permit fee	1	500	GR
IT Penalties	\$100 per day	9	4200	GR
Exam Fee	\$40 per hour	1	320	GR

## VI. Organization: Texas Credit Union Department

A. Provide an organizational chart that includes major programs and divisions, and shows the number of FTEs in each program or division.



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

Texas Credit Union Department Exhibit 10: FTEs by Location C Fiscal Year 2006			
Headquarters, Region, or Field Office	Location	Number of Budgeted FTEs, FY 2006	Number of Actual FTEs as of August 31, 2006
Headquarters	914 E. Anderson Lane, Austin	10	10
North Zone (no office: examiners work from their homes and in the credit unions they examine)	Dallas/Ft Worth area	8	8
South Zone (no office: examiners work from their homes and in the credit unions they examine)	Houston area	8	6
<b>TOTAL</b>		26	24

**C. What are your agency’s FTE caps for fiscal years 2006 - 2009?**

The Department’s FTE cap has remained the same at 26 FTEs for FY 2006-2009. (For FY 2008 and FY 2009, the FTE caps in the appropriation bill are 29 and 31 respectively. Those numbers include positions that can be filled only if the contingency rider is activated.)

**D. How many temporary or contract employees did your agency have as of August 31, 2006?**

The agency did not have any temporary or contract employees as of August 31, 2006.

**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 C Fiscal Year 2006		
Program	FTEs as of August 31, 2006	Actual Expenditures
Examination	21	\$1,548,796.92
Applications	2	\$117,677.51
Oversight	1	\$ 80,148.16
<b>TOTAL</b>	24	\$1,746,622.59

## VII. Guide to Agency Programs

**A (1). Provide the following information at the beginning of each program description.**

<b>Name of Program or Function</b>	Examination
<b>Location/Division</b>	N/A
<b>Contact Name</b>	James R. Deese, Deputy Commissioner
<b>Actual Expenditures, FY 2006</b>	\$1,548,796.92
<b>Number of FTEs as of August 31, 2006</b>	21

**B (1). What is the objective of this program or function? Describe the major activities performed under this program.**

There are several fundamental objectives of our examination program.

The first 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, and Liquidity position (CAMEL).

Second, the periodic on-premises examination provides the best means of determining the credit union's adherence to laws and rules. 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 fund. 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, or even a payoff of depositors, becomes unavoidable.

Finally, the examination supplies the Department with an understanding of the nature, relative seriousness, and ultimate cause of a credit union's problems, and thus provides a factual foundation to soundly base corrective measures, recommendations and instructions. The examination thus plays a very key role in the supervisory process.

Therefore the examination function lies at the heart of the Department's ability to ensure that credit unions are operated in a safe and sound manner and in accordance with applicable laws and regulatory requirements. The examination program includes an annual on-site examination of each credit union, and additional periodic

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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.

**C (1). What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.**

The Department uses a composite rating known as CAMEL 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. CAMEL ratings are assigned at the completion of every examination. As of June 30, 2007, of the 222 credit unions under the Department's supervision, only three were assigned a "4" rating and no credit unions were assigned a "5" rating.

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 June 30, 2007, 99% of credit unions were categorized as well-capitalized. Credit unions' capital has remained at this high level for the past several years.

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

- Percentage of Safe and Sound Credit Unions [Target 95%; Actual 99%]
- Percent of Credit Unions Receiving Regular Examinations Annually [Target 96%; Projected FY 2007 90%]

**D (1). 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.**

The Department has adopted a more risk-focused approach to examinations to minimize regulatory burden and better direct its resources to those areas that carry the greatest potential risk. The Department, however, must continue to monitor the effectiveness of its risk-focused procedures and any related resource reductions to ensure that this approach does not compromise examination quality or results. In addition, the Department must also ensure that 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 are promptly complying with supervisory actions that arise as a result of the Department's examination process.

**E (1). Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.**

The examination program directly involves the 222 Texas credit unions and indirectly their 2.7 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
9	< \$1 million
78	\$1 million - \$10 million
81	\$10 million - \$50 million
16	\$50 million - \$100 million
28	\$100 million - \$500 million
10	> \$500 million
222	Data as of June 30, 2007

**F (1). Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.**

The Deputy Commissioner and Chief Examiner oversee the examination process. The examination program involves a staff of 14 field examiners 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 annual 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 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 the necessary corrective actions. 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 Chief Examiner 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 20 days of the examiner’s last day on site at the credit union.



**G (1). 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).**

The examination program is funded by the Legislative appropriation. However, the Department is a self-funded, self-leveling agency. It generates through fees collected from credit unions, only the revenue necessary to support its direct and indirect cost of operations. Through this funding structure, the credit unions pay for all of the Department's expenses. No taxpayer funds are used to operate the Department. The Department does not receive any funds from the federal government.

**H (1). Identify any programs, internal or external to your agency, that provide identical or similar services or functions. 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. Currently, all credit unions supervised by the Department have federal deposit insurance and thus are subject to Title II of the Federal Credit Union Act.

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, operates the National Credit Union Share Insurance Fund (NCUSIF) insuring the savings of all federal credit unions and many state-chartered credit unions.

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.

Additionally, we currently have eleven credit unions chartered in nine other states that operate twenty-two offices in Texas. The Department shares jurisdiction over the business conducted in Texas by these out-of-state credit unions with the regulatory agency that supervises credit unions in that particular 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

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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 (1). 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 has entered into a Working Agreement with NCUA which recognizes that 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. On occasion, NCUA feels 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.

In order to more effectively carry out our regulatory responsibilities with respect to the eleven 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 (1). 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 examination program includes involvement with the National Credit Union Administration (NCUA) based on their role as the administrator of the National Credit Union Share Insurance Fund. The Department works closely with the NCUA to monitor and control the loss exposure to the share/deposit insurance fund. The Department's primary interaction with the NCUA is on joint examinations of credit unions with potential safety and soundness issues.

**K (1). If contracted expenditures are made through this program please provide:**

- the amount of those expenditures in fiscal year 2006;
- the number of contracts accounting for those expenditures;
- a short summary of the general purpose of those contracts overall;
- 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 2006:

- Information Technology Services (\$19,893.50) -- The information technology services contract was entered into during fiscal year 2006 to maintain and enhance the Department's computer network and data processing services. The contracted services were necessary due to a vacancy in the internal position responsible for the oversight of the information technology systems. The Department's Network Specialist position was subsequently filled in March 2006.
- Certified Public Accountant (\$320) -- The Department entered into a contract with a Certified Public Accountant (CPA) to assist in the completion and submittal of the Return of Organization Exempt from Income Tax (Form 990) with the Internal Revenue Service. The filing of the informational return on behalf of the state-chartered credit unions is authorized by Section 15.412 of the Texas Finance Code.

**L (1). What statutory changes could be made to assist this program in performing its functions? Explain.**

No specific statutory changes are necessary to assist the Department's examination program at this time.

**M (1). 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 people want and need them. But the real goal of a credit union is to help people improve their lives through more effective use of their financial resources. Accordingly, credit unions are self-supporting concerns whose mission is service. Adequate income is necessary but decisions are driven primarily by the needs of the members. Therefore, it is important that our examination policies and procedures take this orientation into consideration as we assess a credit union's overall financial condition and its management practices and policies.

**N (1). 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.

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

The Department has a range of enforcement powers to address violations of laws or rules and unsafe or unsound financial practices. These enforcement powers are structured so that the Commissioner may vary an enforcement action according to the seriousness of the credit union deficiency. Most violations or deficiencies are discovered during the Department's on-site examinations. The Department examiner drafts a document of resolution detailing the measures the credit union should take to resolve the problems. In most cases, the credit union's management and board of directors resolve these problems voluntarily. If the credit union fails to take corrective actions, the Commissioner may enter into a written agreement with the officials or issue a determination letter to clarify the action necessary to avoid further enforcement action.

While most problems are resolved through these 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 the 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.

**O (1). For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.**

There is not a specific complaint process associated with the Department's examination program. However, the Department does provide a voluntary survey to every credit union each year to assess the quality of the service provided by the Department.

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**A (2). Provide the following information at the beginning of each program description.**

<b>Name of Program or Function</b>	Applications
<b>Location/Division</b>	N/A
<b>Contact Name</b>	Betsy Loar, Assistant Commissioner/General Counsel
<b>Actual Expenditures, FY 2006</b>	\$117,677.51
<b>Number of FTEs as of August 31, 2006</b>	2

**B (2). What is the objective of this program or function? Describe the major activities performed under this program.**

The objective of the Applications program 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.

**C (2). What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.**

One of the Department’s continuing initiatives is to reduce the regulatory burden on credit unions while maintaining tools needed for effective supervision. This includes initiatives to enhance the efficiency and improve the application process so credit unions have the ability to continue to meet current and anticipated member needs and compete effectively with other financial service providers. The current Applications program provides each credit union an orderly means of changing its organizational structure or updating operational issues to provide its members the best service available in the highly competitive and rapidly changing financial services industry. The Department’s success in effectively processing application requests is demonstrated in the key performance measures including a 100% success rate in approving or denying the charter and bylaw applications within the allotted 60 day timeframe. In addition, in a recent survey of credit unions, 99% of those responding indicated that the agency provided quality service. A total of 53 applications were acted upon during the first nine months of fiscal year 2007.

**D (2). 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.**

Public notice of the applications received was expanded, as a result of the previous Sunset review, to enhance the public input on proposed operational changes requested by a credit union. Although the Department had always provided notice of applications in its monthly newsletter, the requirement to also publish notice in the *Texas Register* allowed the general public a better opportunity to keep informed about these activities. No other substantive changes have been necessary in the application process.

**E (2). Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.**

The Applications program affects the 222 Texas chartered credit unions. The efforts to expand and modernize operations through amendments to its articles of incorporation, bylaws, field of membership or charter type also indirectly impact the approximately 2.7 million citizens of Texas that are members of Texas-chartered credit unions.

**F (2). Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.**

The Applications program 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. 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 and public input. 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.

**G (2). 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).**

The funding for the Applications program comes from Legislature. Although the Department is revenue neutral to the State's General Revenue Fund, no application or processing fee is assessed directly to the applicant credit union. Through the Department's funding structure, the credit unions pay for all of the Department's expenses. No taxpayer funds are used to operate the Department. In addition, no federal funds or pass-through monies are used in this process.

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**H (2). Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.**

As share insurer, the National Credit Union Administration (NCUA) is concerned with the safety and soundness of all federally-insured credit unions. However, a distinction is made between the NCUA's role as an insurer and the Department's roles as the primary regulator and supervisor for Texas credit unions. Nonetheless, it is important to note that the NCUA's role as an insurer and the Department's role as primary supervisor are complementary and that many activities support both the insurance and supervision programs. Therefore, it is our belief that no other agencies or governmental entities provide identical or similar services for Texas credit unions in a supervisory role.

**I (2). 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.**

No other agencies or governmental entities provide identical or similar services for Texas credit unions.

**J (2). 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 Application program does not involve any local, regional or federal units of government.

**K (2). If contracted expenditures are made through this program please provide:**

- the amount of those expenditures in fiscal year 2006;
- the number of contracts accounting for those expenditures;
- a short summary of the general purpose of those contracts overall;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

No contracted expenditures are made for the Department's Applications program.

**L (2). What statutory changes could be made to assist this program in performing its functions? Explain.**

No statutory changes are recommended at this time to assist the Department in performing the Applications program.

**M (2). Provide any additional information needed to gain a preliminary understanding of the program or function.**

Not Applicable

**N (2). 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.

The Department’s Applications program is based on statutory requirements and/or established provisions of the administrative rules. A credit union’s failure to take appropriate action upon the denial of an application would be grounds for further administrative action in accordance with the Misconduct and Enforcement provisions of Chapter 122 of the Texas Finance Code. As with the Examinations program, upon determination of misconduct, the Department’s options include the issuance of a Cease and Desist Order or a Removal Order for an offending credit union director or officer.

**O (2). For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency’s practices.**

The Application program does not involve a formal complaint process. However, a credit union whose application is denied has the option to appeal the action through a hearing before the State Office of Administrative Hearings and ultimately receive a decision from the Commission itself.

**A (3). Provide the following information at the beginning of each program description.**

<b>Name of Program or Function</b>	Oversight
<b>Location/Division</b>	N/A
<b>Contact Name</b>	Harold Feeney, Commissioner
<b>Actual Expenditures, FY 2006</b>	\$80,148.16
<b>Number of FTEs as of August 31, 2006</b>	1

**B (3). What is the objective of this program or function? Describe the major activities performed under this program.**

The Oversight program 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 (3). What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.**

The effectiveness of the Oversight program is reflected by the general safety and soundness of the credit union industry in Texas. Currently, 99% of the state's 222 credit unions are classified as safe and sound. The Commission also remains proactive in the rulemaking process. In accordance with the requirements of Section 204.039 of the Government Code, the Commission reviews each of its administrative rules every four years. The rules are reviewed to assess whether the reason for the adopting or readopting the rule continues to exist. During the first three quarters of fiscal year 2007, a total of 42 administrative rules have been revised or readopted by the Commission.

**D (3). 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.**

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

**E (3). Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.**

The oversight responsibility of the Commission affects the 222 Texas chartered credit unions. The rulemaking process also indirectly impacts the approximately 2.7 million citizens of Texas that are members of Texas-chartered credit unions.

**F (3). Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.**

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 Legislative Advisory Committee, comprised of Commission members and appointed industry representatives, also holds open meetings periodically during the year to complete the preliminary assessment of the 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.

**G (3). 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).**

Although the Department is revenue neutral to the State's General Revenue Fund, the Oversight process is funded by Legislative appropriation. Through the Department's funding structure, the credit unions pay for all of the Department's expenses. No taxpayer funds are used to operate the Department.

**H (3). Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.**

No other programs provide identical or similar services or functions.

**I (3). 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.**

No other programs provide identical or similar services or functions.

**J (3). 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 works closely with the National Credit Union Administration (NCUA) in their role as the administrator of the share/deposit insurance fund for all federally-insured credit unions. However, the Commission's oversight role includes only limited direct involvement with the NCUA.

**K (3). If contracted expenditures are made through this program please provide:**

- the amount of those expenditures in fiscal year 2006;
- the number of contracts accounting for those expenditures;
- a short summary of the general purpose of those contracts overall;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

No contracted expenditures were made for the oversight process.

**L (3). What statutory changes could be made to assist this program in performing its functions? Explain.**

No statutory changes are recommended for the oversight process at this time.

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**M (3). Provide any additional information needed to gain a preliminary understanding of the program or function.**

Not applicable to this program.

**N (3). 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.

Not applicable to this program.

**O (3). For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.**

Not applicable to this program.

## VIII. Statutory Authority and Recent Legislation

**A. Fill in the following chart, 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 2003 - 2007, or earlier significant Attorney General opinions, that affect your agency's operations.**

Texas Credit Union Department Exhibit 13: Statutes/Attorney General Opinions	
Statutes	
Citation/Title	Authority/Impact on Agency
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- 126; Chapter 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 (effective Sept 1, 2007).
HB 716, 80 <sup>th</sup> Legislature	Sets up the Residential Mortgage Fraud Task Force to track and prosecute mortgage fraud; task force includes Credit Union Commissioner.
Attorney General Opinions	
Attorney General Opinion No.	Impact on Agency
None	N/A

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**B. Provide a summary of recent legislation regarding your agency by filling in the chart below or attaching information already available in an agency-developed format. Briefly summarize the key provisions. For bills that did not pass, 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).**

Texas Credit Union Department Exhibit 14: 80th Legislative Session Chart		
Legislation Enacted - 80th Legislative Session		
Bill Number	Author	Summary of Key Provisions
HB 716	Representative Solomons and Senator Averitt	Provides the Department with access to criminal history record information for credit union incorporators, credit union board members, applicants for employment and current employees (effective Sept 1, 2007).

Legislation Not Passed - 80th Legislative Session		
Bill Number	Author	Summary of Key Provisions/Reason the Bill Did Not Pass
None		

## IX. Policy Issues

### A (1). Brief Description of Issue – Examiner Salaries

We believe ensuring that Texas has a safe and sound credit union system is a compelling mandate. Assessing a credit union's safety and soundness requires examination by skilled examiners, and the ability to retain qualified examiners is the key policy issue for the Department. Credit unions have grown in complexity and sophistication, requiring knowledgeable examiners to properly evaluate their activities. It is therefore essential that the Department keep examiner turnover to a minimum so that a larger number of our examiners reach a tenure where they are fully capable and productive.

### B (1). Discussion – Examiner Salaries

Turnover in the examination staff has been an ongoing issue for the Department. Based on the increasing complexity in the financial services industry, and on the unique nature of credit unions, maintaining a seasoned examination staff is imperative to ensuring the safety and soundness of the credit union system. An examiner is generally considered to have the necessary experience to handle most examination related issues after five years on staff. Currently six of the 14 field examiners, or approximately 43%, have less than five years' experience.

Historically, tenured examiners who leave the Department do so to assume a management position in a credit union. Less tenured examiners generally leave due to the higher earnings potential outside state government and/or the high percentage of travel. Progress has been made in enhancing the salary structure of the examination staff as the Department was successful in securing an additional dedicated appropriation for examination pay raises in the 2003 and 2005 Legislative sessions. However, no additional funds were appropriated for examiner salary increases for the upcoming biennium as part of the 2007 Legislative session. Based on the extent of the Department's limited salary progression during the 1990's, the gains made in recent years have only served to bring the examiner's salary structure to a baseline level. The lack of any additional appropriated funds during the next biennium is expected to result in a significant increase in the turnover cycle.

### C (1). Possible Solutions and Impact – Examiner Salaries

The solution to the examiner compensation issue remains elusive under the current appropriation process. While the Department makes very efficient use of its examination staff, the reality is that state salaries will never be equal to federal government or private sector salaries, particularly in a strong economy. However, as a self-funded agency, the Department could be given greater regulatory flexibility to respond to ever changing regulatory conditions, situations, needs, accountabilities, and responsibilities in supervising credit unions. While maintaining full accountability to the Legislature, and recognizing that the Department uses no taxpayer funds, the Department believes an alternative funding process is warranted and justified. The credit unions of Texas have consistently expressed support for providing resources to ensure quality regulation. Ongoing emphasis on enhancing the examiner compensation structure must become a priority to ensure the continued viability of the state charter and maintain the safety and soundness of the state credit union system.

**A (2). Brief Description of Issue – Examiner Training and Development**

The Department's ability to provide adequate training and professional development for its examination staff is severely taxed. The growing complexity and technological sophistication of credit unions have increased the need for more examiner competence and skills.

**B (2). Discussion -- Examiner Training and Development**

The increasing complexity of the credit union system mandates that the Department's examination staff have a thorough understanding of the issues affecting credit unions. In addition to the limitations on the Department's ability to maintain an experienced examination staff, ongoing training in key areas of the examination process is essential to maintaining the safety and soundness of the credit union system. Although the trend in recent years has been toward fewer credit unions as a result of mergers and consolidations, the remaining credit unions are much larger and provide a much wider range of financial services. Credit unions have increasingly shifted to more complex activities such as business lending and electronic delivery of services in an effort to better serve their members in the highly competitive financial services industry. These advancements have created a significant benefit in the level and types of services provided to the credit union members. However, they also represent a significant training burden for the Department. Emphasis on ongoing and specialized training is necessary to ensure the examination function continues to adequately assess the risk associated with the new service offerings. Overall, in order to keep pace with the increasing complexity of the credit unions' operations, the Department's emphasis on examiner training must be a significant priority.

**C (2). Possible Solutions and Impact – Examiner Training and Development**

Although the adequacy of the Department's examiner training is primarily a budgetary issue, we believe a long-range staffing plan must be supported to ensure that core programs have properly trained and experienced personnel. Additional funds devoted specifically to training the examination staff will be necessary to keep pace with the innovations within the credit union system. A primary restriction on the Department has been a significant limitation on out-of-state travel. Although some additional leeway in this area was provided for the upcoming biennium, increased awareness of the training needs and costs must be a priority in future appropriation requests.

## X. Other Contacts

**A. Fill in the following chart with updated information on people with an interest in your agency, and be sure to include the most recent e-mail address.**

<b>Texas Credit Union Department Exhibit 15: Contacts</b>			
<b>INTEREST GROUPS</b> (groups affected by agency actions or that represent others served by or affected by agency actions)			
Group or Association Name/ Contact Person	Address	Telephone	E-mail Address
Texas Credit Union League Richard Ensweiler, President/CEO	4455 LBJ Freeway, Farmers Branch, Texas 75244	(800) 442-5762	<a href="mailto:rensweiler@tcu.coop">rensweiler@tcu.coop</a>
Credit Union Legislative Coalition Melodie Stegall, Executive Director	3600 W. Parmer, Ste. 120 Austin, Texas 78727	(512) 435-4214	<a href="mailto:mstegall@uhcu.org">mstegall@uhcu.org</a>
Texas Bankers Association John Heasley, General Counsel	203 W. 10 <sup>th</sup> Street Austin, Texas 78701	(512) 472-8388	<a href="mailto:John@texasbankers.com">John@texasbankers.com</a>
Independent Banks Association Of Texas Steve Scurlock, Executive VP.	1700 Rio Grande, Ste. 100 Austin, Texas 78701	(512) 474-6889	<a href="mailto:sscurlock@ibat.org">sscurlock@ibat.org</a>
<b>INTERAGENCY, STATE, OR NATIONAL ASSOCIATIONS</b> (that serve as an information clearinghouse or regularly interact with your agency)			
Group or Association Name/ Contact Person	Address	Telephone	E-mail Address
National Association of State Credit Union Supervisors (NASCUS) Mary Martha Fortney, President/CEO	1655 North Fort Myer Drive, Ste. 300 Arlington, VA 22209	(703) 528-8351	<a href="mailto:marymartha@nascus.org">marymartha@nascus.org</a>
National Credit Union Administration (NCUA) Keith C. Morton, Regional Director	4807 Spicewood Springs Road, #5 Austin, Texas 78759	(512) 342-5600	<a href="mailto:ckmorton@ncua.gov">ckmorton@ncua.gov</a>
<b>LIAISONS AT OTHER STATE AGENCIES</b> (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	E-mail Address
Legislative Budget Board (LBB) Thomas Gleeson	1501 Congress Avenue, 5 <sup>th</sup> Floor Austin, Texas 78711	(512) 463-2634	<a href="mailto:Thomas.gleeson@lbb.state.tx.us">Thomas.gleeson@lbb.state.tx.us</a>
Comptroller of Public Accounts Cheryl Ornelas	111 E. 17 <sup>th</sup> Street Austin, Texas. 78711	(512) 463-3848	<a href="mailto:Cheryl.ornelas@cpa.state.tx.us">Cheryl.ornelas@cpa.state.tx.us</a>



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Office of Attorney General (AG's) James Crowson, Assistant Attorney General	209 W. 14 <sup>th</sup> Street Austin, Texas 78711	(512) 475-1556	<a href="mailto:James.crowson@aog.state.tx.us">James.crowson@aog.state.tx.us</a>
Department of Banking Randall S. James, Commissioner	2601 N. Lamar Street Austin, Texas 78705	(512) 475-1325	<a href="mailto:Randall.james@banking.state.tx.us">Randall.james@banking.state.tx.us</a>
Office of Consumer Credit Leslie L. Pettijohn, Commissioner	2601 N. Lamar Street Austin, Texas 78705	(512) 936-7640	<a href="mailto:Leslie.pettijohn@occ.state.tx.us">Leslie.pettijohn@occ.state.tx.us</a>
Department of Savings and Mortgage Lending Danny Payne, Commissioner	2601 N. Lamar Street Austin, Texas 78705	(512) 475-1353	<a href="mailto:Danny.payne@sml.state.tx.us">Danny.payne@sml.state.tx.us</a>
State Securities Board Denise Crawford, Commissioner	208 E. 10 <sup>th</sup> Street Austin, Texas 78701	(512) 305-8300	<a href="mailto:Dcrawford@ssb.state.tx.us">Dcrawford@ssb.state.tx.us</a>
Texas Department of Insurance Mike Geeslin, Commissioner	333 Guadalupe Austin, Texas 78701	(512) 463-6468	<a href="mailto:Mike.Geeslin@tdi.state.tx.us">Mike.Geeslin@tdi.state.tx.us</a>

## XI. Additional Information

- A. Fill in the following chart detailing information on complaints regarding your agency. Do not include complaints received against people or entities you regulate. The chart headings may be changed if needed to better reflect your agency's practices.

Texas Credit Union Department Exhibit 16: Complaints Against the Agency C Fiscal Years 2005 and 2006		
	FY 2005	FY 2006
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

- B. Fill in the following chart detailing your agency's Historically Underutilized Business (HUB) purchases

Texas Credit Union Department Exhibit 17: Purchases from HUBs				
FISCAL YEAR 2004				
Category	Total \$ Spent	Total HUB \$ Spent	Percent	Statewide Goal
Heavy Construction	0	0	0	11.9%
Building Construction	0	0	0	26.1%
Special Trade	\$ 692	\$ 0	0%	57.2%
Professional Services	\$ 2,896	\$ 2,896	100%	20.0%
Other Services	\$ 27,505	\$ 21,558	78.3%	33.0%
Commodities	\$ 26,965	\$ 14,390	53.3%	12.6%
<b>TOTAL</b>	<b>\$ 58,060</b>	<b>\$ 38,845</b>	<b>66.9%</b>	

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FISCAL YEAR 2005				
Category	Total \$ Spent	Total HUB \$ Spent	Percent	Statewide Goal
Heavy Construction	0	0	0	11.9%
Building Construction	0	0	0	26.1%
Special Trade	0	0	0	57.2%
Professional Services	\$ 3,177	\$ 3,177	100%	20.0%
Other Services	\$ 38,221	\$ 25,036	65.5%	33.0%
Commodities	\$ 33,760	\$ 24,145	71.5%	12.6%
<b>TOTAL</b>	<b>\$ 75,159</b>	<b>\$ 52,359</b>	<b>69.6%</b>	
FISCAL YEAR 2006				
Category	Total \$ Spent	Total HUB \$ Spent	Percent	Statewide Goal
Heavy Construction	0	0	0	11.9%
Building Construction	0	0	0	26.1%
Special Trade	0	0	0	57.2%
Professional Services	\$ 660	\$ 660	100%	20.0%
Other Services	\$ 55,259	\$ 35,923	65%	33.0%
Commodities	\$ 78,711	\$ 18,282	23.2%	12.6%
<b>TOTAL</b>	<b>\$ 134,630</b>	<b>\$ 54,865</b>	<b>40.7%</b>	

**C. Does your agency have a HUB policy? How does your agency address performance shortfalls related to the policy?**

The Department has a HUB policy which is contained in 7 TAC §97.205 and incorporates the procedures set out by TBPC. The agency takes great care to use HUBs in as many purchases as possible to avoid shortfalls and is proud that, with the exception of one category in 2004, it has met or exceeded the statewide HUB goals for the past three fiscal years. 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.

**D. 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? (Tex. Government Code, Sec. 2161.252; TAC 111.14)**

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

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

N/A: The agency's biennial appropriations do not exceed \$10 million.

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**F. Fill in the chart below detailing your agency's Equal Employment Opportunity (EEO) statistics.**

Texas Credit Union Department Exhibit 18: Equal Employment Opportunity Statistics							
FISCAL YEAR 2004							
Job Category	Total Positions	Minority Workforce Percentages					
		Black		Hispanic		Female	
		Agency	Civilian Labor Force %	Agency	Civilian Labor Force %	Agency	Civilian Labor Force %
Officials/Administration	2	0%	7%	0%	11%	0%	31%
Professional	23	21%	9%	4%	10%	26%	47%
Technical	0	0%	14%	0%	18%	0%	39%
Protective Services	0	0%	18%	0%	21%	0%	21%
Para-Professionals	3	33%	18%	33%	31%	100%	56%
Administrative Support	2	100%	19%	0%	27%	100%	80%
Skilled Craft	0	0%	10%	0%	28%	0%	10%
Service/Maintenance	0	0%	18%	0%	44%	0%	26%

FISCAL YEAR 2005							
Job Category	Total Positions	Minority Workforce Percentages					
		Black		Hispanic		Female	
		Agency	Civilian Labor Force %	Agency	Civilian Labor Force %	Agency	Civilian Labor Force %
Officials/Administration	2	0%	7%	0%	11%	0%	31%
Professional	19	21%	9%	0%	10%	31%	47%
Technical	0	0%	14%	0%	18%	0%	39%
Protective Services	0	0%	18%	0%	21%	0%	21%
Para-Professionals	3	33%	18%	33%	31%	100%	56%
Administrative Support	2	100%	19%	0%	27%	100%	80%
Skilled Craft	0	0%	10%	0%	28%	0%	10%
Service/Maintenance	0	0%	18%	0%	44%	0%	26%

FISCAL YEAR 2006							
Job Category	Total Positions	Minority Workforce Percentages					
		Black		Hispanic		Female	
		Agency	Civilian Labor Force %	Agency	Civilian Labor Force %	Agency	Civilian Labor Force %
Officials/Administration	2	0%	7%	0%	11%	0%	31%
Professional	22	22%	9%	4%	10%	27%	47%
Technical	0	0%	14%	0%	18%	0%	39%

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<b>Protective Services</b>	0	0%	18%	0%	21%	0%	21%
<b>Para-Professionals</b>	3	33%	18%	33%	31%	100%	56%
<b>Administrative Support</b>	2	100%	19%	0%	27%	100%	80%
<b>Skilled Craft</b>	0	0%	10%	0%	28%	0%	10%
<b>Service/Maintenance</b>	0	0%	18%	0%	44%	0%	26%

**G. 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 all 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 differ from other types of financial services institutions. Credit unions are member-owned, non-profit cooperatives designed to serve a select field of membership. Each credit union's field of membership is based on common factors such as employment with the same company, residence in the same geographic area, and/or membership in the same organization. In contrast, banks and other financial service providers generally operate for the profit of their shareholders-owners and make services available to all members of the public.

Credit unions are by no means a static industry. Throughout the last decade, according to a recent review by the Credit Union National Association, credit unions have maintained their market share at about 6% of the nation's depository institution assets. In other words, their assets continue to grow in tandem with the assets of other financial institutions. The aggregate \$789 billion in credit union assets as of year end 2006 pales in comparison to the combined \$12 trillion held by the nation's banks.

Animosity 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 the net worth requirements. They have also lobbied for elimination of the credit union's federal tax-exempt status. Although as a regulatory agency the Department is not directly involved in the credit union versus bank dispute, it is clear that the future of the credit union system could be significantly influenced by legislative action or inaction. We firmly believe that having a safe, sound, and competitive system benefits consumers. If competition from credit unions is restricted or if 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 at credit unions.

## ATTACHMENTS

### Attachments Relating to Key Functions, Powers, and Duties

1. A **copy** of the agency's enabling statute.
2. A **copy** of each annual report published by the agency from FY 2002 - 2006.
3. A **copy** of each internal or external newsletter published by the agency from FY 2005 - 2006.  
Internal Newsletters:  
*News in Brief*, distributed to Commission Members in months with no Commission meeting.  
*The Austin Communiqué*, distributed to examination staff monthly.  
External Newsletters:  
*Credit Union Department Newsletter*
4. A **list** of publications and brochures describing the agency.  
Agency Website: [www.tcup.state.tx.us](http://www.tcup.state.tx.us)  
Brochures:  
*A Guide to Member Assistance*  
*"Phishing" Don't Get Hooked*  
*Credit Union Rankings*  
*2006 Financial Trends in Texas Chartered Credit Unions*  
*Tips for Financial Transactions*
5. A **list** of studies that the agency is required to do by legislation or riders.  
None
6. A **list** of legislative or interagency studies relating to the agency that are being performed during the current interim.  
None
7. A **list** of studies from other states, the federal government, or national groups/associations that relate to or affect the agency or agencies with similar duties or functions.  
Government Accounting Office Studies:  
*Financial Regulators: Agencies Have Implemented Key Performance Management Practices, but Opportunities for Improvement Exist, GAO-07-678, June 18, 2007.*  
*Corporate Governance: NCUA's Controls and Related Procedures for Board Independence and Objectivity Are Similar to Other Financial Regulators, but Opportunities Exist to Enhance Its Corporate Structure, GAO-07-72R, November 30, 2006.*  
*Credit Unions: Greater Transparency Needed on Who Credit Unions Serve and on Senior Executive Compensation Arrangements, GAO-07-29, November 30, 2006.*

**Attachments Relating to Policymaking Structure**

8. Biographical information (e.g, education, employment, affiliations, and honors) or resumes of all policymaking body members.

Resumes of the nine Commission members are included.

9. A **copy** of the agency's most recent rules.

**Attachments Relating to Funding**

10. A **copy** of the agency's Legislative Appropriations Request for FY 2008-2009.
11. A **copy** of each annual financial report from FY 2004 - 2006.
12. A **copy** of each operating budget from FY 2005 - 2007.

**Attachments Relating to Organization**

13. If applicable, a map to illustrate the regional boundaries, headquarters location, and field or regional office locations.

N/A

**Attachments Relating to Agency Performance Evaluation**

14. A **copy** of each quarterly performance report completed by the agency in FY 2004 - 2006.
15. A **copy** of any recent studies on the agency or any of its functions conducted by outside management consultants or academic institutions.  
None
16. A **copy** of the agency's current internal audit plan.  
A copy of the agency's current internal risk assessment is attached.
17. A **list** of internal audit reports from FY 2003 - 2007 completed by or in progress at the agency.  
Information Technology and Inventory Systems Controls, Audit Report Number 03-01, June 2003.
18. A **list** of State Auditor reports from FY 2003 - 2007 that relate to the agency or any of its functions.  
The State Auditor is currently auditing the agency's performance measures for FY2006.
19. A **copy** of any customer service surveys conducted by or for your agency in FY 2006.