

SUBJECT: Continuing the Texas Credit Union Commission

COMMITTEE: Financial Institutions— favorable, without amendment

VOTE: 8 ayes — Marchant, Gutierrez, Ehrhardt, Elkins, Grusendorf, Patterson, Smith, Solomons

0 nays

1 absent — Giddings

SENATE VOTE: On final passage, April 21 — 31-0

WITNESSES: On companion bill, HB 1612:

For — Allan Hanson, Independent Bankers Association of Texas; Robert Schneider, Consumers Union; Kell Rogers, Texas Bankers Association; Ed Lette and 45 others representing various Texas credit unions or themselves

Against — None

On — Harold Feeney, Texas Credit Union Department; Steve Hopson, Charla Ann King and Ken Levine, Texas Sunset Commission; Cynthia Thomas, Texas Public Policy Foundation; Susan Chen Jackson and Terry Stapleton, Texas Credit Union Commission;

BACKGROUND
:

The Texas Credit Union Commission (TCUC) was created in 1969 to regulate state credit unions. Credit unions are non-profit associations owned by their members for the purpose of providing financial services. The state first authorized rural credit unions in 1913, and in 1929 the authority was extended to the rest of the state. Between 1934 and 1969 credit unions were regulated by the State Banking Board. The TCUC oversees the Credit Union Commissioner and the Credit Union Department that regulates credit unions through annual on-site examination.

Credit unions can be chartered by the state or the federal government. About 1.7 million Texans have deposits valued at more than \$7 billion in state-chartered credit unions. The state has 830 credit unions — 535 are

federally chartered and 285 are state-chartered. All credit unions are insured by the federal government.

The commission is composed of nine members, three public and six industry representatives, appointed by the governor and confirmed by the Senate. Members serve six-year staggered terms. Six members must have at least five years experience as an executive, officer, director or committee member of a credit union and the three public members must have recognized business abilities.

The primary role of the commission is to hire, supervise, consult with, and advise the credit union commissioner, adopt rules to administer the credit commission act and update these rules in response to changes in economic conditions. The commission also sets operating fees paid by credit unions, hears appeals of commissioner decisions and orders, and appoints advisory committees as necessary.

The credit union commissioner has the day-to-day responsibility for the operation of the department and broad authority to enforce the credit commission act and commission rules.

The Credit Union Commission is subject to the Sunset Act and underwent Sunset Advisory Commission review during the interim. It will be abolished on September 1, 1997, unless continued by the Legislature.

DIGEST:

SB 358 would continue the Credit Union Commission until September 1, 2009. It would require the Sunset Commission to include the commission in its evaluation of the organizational structure of the state's financial regulatory agencies for the 77th Legislature and study the potential effects of placing it under the jurisdiction of the Finance Commission.

SB 358 would change the composition of the commission to four credit union industry members and five public members. The five public members could not be appointed if they were employed by or connected in any way to a financial institution or a trade association representing a financial institution, directly or indirectly.

The bill would require the credit union commissioner to notify the public

through the *Texas Register* of any applications to incorporate, merge or expand the field of membership for credit unions. The commission would have to make rules to provide for other appropriate public notice of such applications. The commissioner could waive or delay public notice if it was in the public interest. If public notice was waived, the information would have to be made public on the 35th day after the date the waiver was requested. The commissioner would be required to accept comments from all interested parties, either in writing or in a meeting, regarding the application requests. The commissioner would be required to make a decision on an application within 60 days after it was received or published in the *Texas Register*.

SB 358 would require the Credit Union Commission and the Texas Finance Commission to jointly review state laws governing financial institutions, especially with regard to the differences in governance of different financial institutions, and report their findings to the Sunset Advisory Commission before September 1, 1999.

The bill would add to the Credit Union Commission's enabling statute standard sunset provisions addressing:

- development by the executive director or a designee of an equal employment policy, an intra-agency career ladder, and a system of annual employee performance evaluations;
- board member appointment, training, and removal;
- designation of the board's presiding officer by the governor;
- conflicts of interest of board members and employees;
- separation of policy making and management responsibilities;
- compliance with state and federal program and facility accessibility laws;
- management of commission funds in accordance with the State Funds Reform Act; and
- preparation of an annual financial report.

The bill would take effect September 1, 1997.

SUPPORTERS
SAY:

SB 358 would ensure public notice and public input into the decisionmaking process for credit union applications, mergers and membership expansions. Presently, the commission is not required to provide notice of expansion activities in the *Texas Register* and has even established procedures that prevent the public from knowing about or commenting on decisions regarding new or expanding credit unions. Credit unions play an important role in providing affordable financial services to Texans and their activities need to be publicized.

Because the Credit Union Commission is the only state financial governing body that is not under the Texas Finance Commission, SB 358 would require that the two agencies study this situation and report their findings to the Sunset Advisory Commission on September 1, 1999. The bill would also require the Sunset Commission to study the potential effects of placing the Credit Union Commission under the purview of the state finance commission. The Finance Commission currently oversees the Banking Department, Savings and Loan Department and the Office of Consumer Credit Commissioner and it is only good public policy to ascertain whether the the Credit Union Commission should also be placed here.

The bill would tilt the majority membership of the board from industry representatives to public members. There is no reason for industry domination of board. To avoid any possible conflict-of-interest between the governance of state credit unions and banks, the bill would not permit any person associated directly or indirectly with banks to be on the board.

OPPONENTS
SAY:

No apparent opposition.