

## **Update for the Senate Committee on Business and Commerce April 14, 2014**

### **Industry Update:**

Key financial indicators for state-chartered credit unions continued to improve during the 2nd half of 2013. Currently, **96** percent of the credit unions are considered well-capitalized. Earnings performance remained stable with fewer credit unions reporting losses. Net worth continues to increase at **December 31, 2013, to 9.83 percent on assets of \$30.49 billion**. Texas credit unions continue to perform well bolstered by the relatively strong Texas economy.

### **Industry Statistics as of December 31, 2013:**

- Assets under the Department's jurisdiction **increased by 7.60 percent to \$30.49** billion;
- Ratio of delinquent loans to total loans **declined from 0.80 percent to 0.73** percent;
- Average net charge-off ratio **remained stable at .59 percent**;
- Loan growth **remained stable at 11.6 percent**;
- Return on average assets is **0.85 percent**; and
- Net worth **increased by 9.3 percent to \$2.8 billion**.

### **Other issues affecting the agency or its jurisdiction:**

On June 21, 2013, the Supreme Court issued a ruling on the case challenging home equity interpretations promulgated jointly by the Credit Union Commission and the Finance Commission (Commissions). On January 24, 2014, Supreme Court issued a Supplemental Opinion to further clarify its June 2013 ruling.

In the Supplemental Opinion, the Court clarified that its ruling did not prohibit the use of a power of attorney for a home equity closing, but in order to comply with the constitutional requirements for home equity, the power of attorney used at such a closing must be signed at the office of the lender, attorney, or title company.

In response to concerns raised in the Motion for Rehearing and Amici Briefs, the Court pointed out that deployed service members could fulfill this requirement at a JAG office in the area where they are stationed. The Court acknowledged the requirement would still create a barrier for non-military travelers and elderly or disabled borrowers; however, it asserted that this was not an issue for the Court or Commissions to consider, but "must be left to the framers and ratifiers of the Constitution"

The Department's and the Finance Commission's combined work group has reviewed the interpretations that were invalidated by the Supreme Court and has begun drafting amendments to conform with the language of the Court's ruling.

**83<sup>rd</sup> Session:**

The Department has been working to implement legislation enacted in this session. The Department has enacted rules to ensure conformity with the new statutory provisions in SB 244 and in SB 1004 (consolidating responsibility for regulation of all residential mortgage loan servicers under the Department of Savings and Mortgage Lending). The Department has implemented HB12, posting the required compensation information on its website. The Department is conducting ongoing investigations of the options for use of videoconferencing under the provisions of HB 2414, amending the Open Meetings Act.