

Update for the Senate Committee on Business and Commerce October 8, 2013

Industry Update:

Key financial indicators for state-chartered credit unions continued to improve during the 1st half of 2013. Currently, 95 percent of the credit unions are considered well-capitalized. Earnings performance remained stable with fewer credit unions reporting losses. Absent the stabilization charge earnings performance remained at .93 percent. Net worth continues to increase at June 30, 2013 it is 9.59 percent on assets of \$29.55 billion. Texas credit unions continue to perform well bolstered by the relatively strong Texas economy.

Industry statistics as of June 30, 2013 compared to December 31, 2012:

- Assets under the Department's jurisdiction increased by 4.27 percent to \$29.55 billion;
- Ratio of delinquent loans to total loans declined from .92 percent to .63 percent;
- Average net charge-off ratio declined from 1.02 percent to .57 percent;
- Loan growth remained stable at 7.97 percent;
- Return on average assets after the stabilization charge is .89 percent (.93 percent prior to the charge); and
- Net worth increased to \$2.5 billion, reflecting an annualized increase of 9.59 percent.

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). The court's ruling invalidated the Commissions' interpretation of "interest," rejected the Commissions' interpretation allowing a homeowner to attend closing through an attorney-in-fact, and affirms the Commissions' interpretation allowing for a rebuttable presumption that a notice is provided to a homeowner three days after it was mailed. The Texas Banker's Association filed a Motion for Rehearing, requesting that the court reconsider its invalidation of the interpretation defining interest, limit its ruling and allow the Commissions to issue an alternate interpretation of interest, and clarify whether the court intended to exclude per diem interest from its definition. Further the TBA Motion also requested clarification regarding the use of attorney-in-fact and the effective date of the opinion. Amici briefs were filed by the Independent Bankers Association of Texas and Texas Mortgage Bankers Association, the United Services Automobile Association, and

Robert R. Wisner. The Department and the Finance Commission are waiting for the Supreme Court to rule on the Motion in this case.

83rd Session:

The Department has been working to implement legislation enacted in this session. SB 244 was enacted to clean up and update applicable portions of the Finance Code; the Department is currently engaged in rulemaking procedures to ensure conformity with the new statutory provisions in this bill and in SB 1004 (consolidating responsibility for regulation of all residential mortgage loan servicers under the Department of Savings and Mortgage Lending). The Department is working to implement HB12, performing the necessary salary research to support the required reporting and comparison. The Department is also investigating the options for use of videoconferencing under the provisions of HB 2414, amending the Open Meetings Act.