

**RULES COMMITTEE
MEETING MINUTES
February 17, 2011**

A. CALL TO ORDER – Chairman Thomas Butler called the meeting to order at 1:05 p.m. in the conference room of the Texas Credit Union Department office, Austin, Texas pursuant to Chapter 551 of the Government Code. Other members present included Manuel “Manny” Cavazos, Allyson “Missy” Morrow, Barbara K. Sheffield, and ex-officio member Gary Janacek. Assistant Attorney General James Crowson was in attendance to serve as legal counsel. Commission Member Henry Snow also attended the meeting but did not participate in the deliberations of the Committee. Staff members in attendance were Harold E. Feeney, Commissioner and Betsy Loar, Assistant Commissioner and General Counsel. Isabel Velasquez was appointed as recording secretary. The Chair inquired and the Commissioner confirmed that the notice of the meeting was properly posted (February 7, 2011, TRD#2011000916).

- **INVITATION FOR PUBLIC INPUT FOR FUTURE CONSIDERATION** – Chairman Butler invited public input on matters regarding rulemaking for future consideration by the committee. There was none.

Commissioner Feeney provided Committee Members with a brief overview of the new electronic format of the agenda packet and explained how to navigate through the document on the iPad.

B. RECEIVE MINUTES OF PREVIOUS MEETING (October 14, 2010)

Mr. Cavazos moved for approval of the minutes of the October 14, 2010 meeting as presented. Mrs. Sheffield seconded the motion, and the motion was unanimously adopted.

C. UNFINISHED BUSINESS

(a) Discussion of and Possible Vote to Recommend that the Credit Union Commission Adopt the Proposed Amendments to 7 TAC Section 95.102 Concerning Qualifications for an Insuring Organization.

Commissioner Feeney indicated that the proposed amendments clarify that an insuring organization must continue to meet the qualifications for approval in order to do business in the state and also address the process to become compliant if an insuring organization is notified that it is not in compliance. He reported that the Department received no comments on the proposal.

After a brief discussion, Mr. Cavazos moved to recommend that the Commission adopt the proposed amendments to **7 TAC Section 95.102** as previously published in the *Texas Register*. Mrs. Sheffield seconded the motion and the motion was unanimously adopted.

(b) Discussion of and Possible Vote to Recommend that the Credit Union Commission Adopt the Proposed New 7 TAC Section 97.104 Concerning Petitions for Adoption or Amendment of Rules.

Commissioner Feeney briefly explained that the proposed new rule is statutorily required and sets out the procedure for an interested person to petition the Department to adopt, amend, or repeal a rule. He noted that the Department received no comments on the proposal.

- **Melodie Stegall – Executive Director, Credit Union Legislative Coalition.** Ms. Stegall questioned whether the word “petition,” as used in the proposed rule, required a number of signatures on a particular topic or whether a letter from a single group or a person would be sufficient to request an amendment to a rule?

Commissioner Feeney reiterated that any interested party may request that the Commission initiate a specific rulemaking action.

After a short discussion, Mrs. Sheffield moved to recommend that the Commission adopt the proposed new **7 TAC Section 97.104** as previously published in the *Texas Register*. Mrs. Morrow seconded the motion and the motion was unanimously adopted.

D. NEW BUSINESS

(a) Discussion of and Possible Vote to Recommend that the Credit Union Commission Approve for Publication and Comment the Proposed Amendments to 7 TAC Section 91.501 Concerning Director Eligibility and Disqualification. Commissioner Feeney noted that as required by the Commission’s Rule Review Plan, staff reviewed 7 TAC Section 91.501 and is recommending that changes be made to set out procedures for recalling directors and filling any resulting board vacancies; clarify when a director is automatically removed from office as a result of excessive absences; and require credit unions to adopt election procedures that are impartial.

- **Leon Ewing – President, Firstmark Credit Union.** Mr. Ewing noted that this rule talks about “voluntary obligations” under subparagraph (b)(4) and

inquired if there were examples of “involuntary obligations” that would not be held against the member?

Commissioner Feeney indicated that staff was not recommending any changes to the existing language and, as currently written, a member would only be prevented from serving on the board of directors if the member was delinquent on a “voluntary obligation”. General Counsel Betsy Loar further noted that this language tracks the statutory language in the Finance Code.

After a brief discussion Mr. Cavazos moved to recommend that the Commission approve for publication and comment the proposed amendments to **7 TAC Section 91.501**. Mrs. Sheffield seconded the motion and the motion was unanimously adopted.

(b) Discussion of and Possible Vote to Recommend that the Credit Union Commission Approve for Publication and Comment the Proposed Amendments to 7 TAC Section 91.502 Concerning Director/Committee Member Fees, Insurance, Reimbursable Expenses, and Other Authorized Expenditures. Commissioner Feeney reported that in accordance with the Commission’s Rule Review Plan, staff reviewed 7 TAC Section 91.502 and is recommending that changes be made to enhance board oversight of travel expense reimbursements; clarify when a credit union may not pay director fees; and require that the board’s annual review of fees and expenses be documented in the minutes. In addition, he noted that the changes address conditions under which a credit union can reimburse a director for guest travel expenses to a conference or educational program. Commissioner Feeney also pointed out a drafting error in subparagraph (b)(2) and requested that the word “and” be deleted and replaced with the word “or”.

- **Leon Ewing – President, Firstmark Credit Union.** Mr. Ewing inquired whether the rule would permit a credit union to pay fees to advisory and honorary directors.

Commissioner Feeney noted that the Finance Code allows fees to be paid to both honorary directors and advisory directors and the term “directors” as used in the rule is intended to encompass all directors that are authorized for a credit union.

After a brief discussion Mrs. Morrow moved to recommend that the Commission approve for publication and comment the proposed amendments to **7 TAC Section 91.502**. Mr. Cavazos seconded the motion and the motion was unanimously adopted.

(c) Discussion of and Possible Vote to Recommend that the Credit Union Commission Approve for Publication and Comment the Proposed Amendments to 7 TAC Section 91.516 Concerning Audits and Verifications. Commissioner Feeney indicated that in accordance with the Commission’s Rule Review Plan, staff reviewed 7 TAC Section 91.516 and is recommending that changes be made to update regulatory references in the rule.

After a short discussion Mr. Cavazos moved to recommend that the Commission approve for publication and comment the proposed amendments to **7 TAC Section 91.516**. Mrs. Sheffield seconded the motion and the motion was unanimously adopted.

(d) Discussion of and Possible Vote to Recommend that the Credit Union Commission Readopt 7 TAC Sections 91.503 (Change in Credit Union

President); 91.510 (Bond and Insurance Requirements); 91.515 (Financial Reporting); 91.601 (Share and Deposit Accounts); 91.602 (Solicitation and Acceptance of Brokered Deposits); 91.608 (Confidentiality of Member Records); and 91.610 (Safe Deposit Box Facilities). Commissioner Feeney noted that as required by the Commission's Rule Review Plan, staff reviewed the remaining rules in Subchapters E and F of Chapter 91 and believes that the reasons for adopting these rules continue to exist and that no changes should be made to these rules at this time.

After a brief discussion, Mrs. Sheffield moved to recommend that the Commission find that the reasons for adopting **7 TAC Sections 91.503, 91.510, 91.515, 91.601, 91.602, 91.608, and 91.610** continue to exist and that the rules be readopted without change. Mrs. Morrow seconded the motion and the motion was unanimously adopted.

(e) Discussion of and Vote to Establish Date for Next Committee Meeting. Chair Butler reminded everyone that the next regular meeting of the Committee has been tentatively scheduled for June 16, 2011, at 1:00 p.m., in Austin.

ADJOURNMENT -- Without objection, the meeting was adjourned at 1:42 p.m.

Thomas F. Butler
Chairman

Isabel Velasquez
Recording Secretary

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