

# Frequently Asked Questions

## What is a credit union?

A credit union is a cooperative, nonprofit financial corporation owned by its members and incorporated under either state or federal law. Organized to serve their members, democratically-controlled credit unions provide a safe place to save and borrow at reasonable rates. Credit union members pool their funds into share or deposit accounts, which provides the credit union a source of funds to loan to other members. The management of each credit union is vested in a voluntary board of directors elected by and from the members. In electing directors and other governance matters, each credit union member has one vote regardless of the amount that the member has on deposit with the credit union. The credit union motto is: "Not for Profit, Not for Charity, But for Service."

## What is the insurance coverage on my share & deposit accounts?

Recent events in the financial industry have prompted some credit union members to question the safety of their shares and deposits. Credit unions doing business in Texas are required to have share insurance protection on their share and deposit accounts. In most credit unions, members have federal share insurance through the National Credit Union Administration (NCUA). The NCUA's share insurance fund is called the National Credit Union Share Insurance Fund (NCUSIF). As with the FDIC, **the NCUSIF is backed by the full faith and credit of the United States Government.**

## **Basic Federal Share Insurance**

# Coverage

Based on recent action by Congress, the NCUSIF now provides credit union members up to \$250,000 in coverage for their individual share and deposit accounts. These accounts include savings, checking, and certificate accounts. Individuals with account balances totaling \$250,000 or less at a federally insured credit union have full NCUSIF coverage. Certain retirement accounts, such as Individual Retirement Accounts, are also federally insured up to \$250,000 per member per federally insured credit union.

For share insurance information from NCUA, see <https://www.mycreditunion.gov/Protect/Pages/SI.aspx> for the Share Insurance Toolkit.

## Additional Share Insurance Coverage

If you have more than \$250,000 in an individual credit union, you may want to use the NCUSIF estimator available at <http://webapps.ncua.gov/ins/> to determine the extent of insurance coverage on your accounts. Additional insurance coverage is available based on rules from NCUA regarding joint accounts and retirement accounts. You should also call your credit union to discuss share insurance coverage in excess of \$250,000 per individual.

## Frequently Asked Questions (FAQ) about Share Insurance

The NCUA has a FAQ about share insurance, available at: <https://www.mycreditunion.gov/estimator/Pages/info.aspx>

## **What is the difference between a state and a federal chartered credit union?**

State-chartered credit unions incorporated or doing business in Texas are regulated by the Credit Union Department, while federally-chartered credit unions are regulated by the National Credit Union Administration (NCUA). Although there are many similarities between the two charters, each regulatory agency operates under its own credit union statutes, rules and regulations.

## **What is the difference between a credit union and a bank in Texas?**

Both credit unions and banks are depository institutions and offer consumers many of the same services. However, a credit union is a nonprofit corporation organized and owned by its member depositors solely for the benefit of its members. A credit union operates under the authority of and receives its powers from state or federal statutes. State-chartered credit unions in Texas operate in accordance with the statutory requirements included in the credit union section of the Texas Finance Code. Funds on deposit in a credit unions doing business in Texas are either federally-insured by the National Credit Union Share Insurance Fund (NCUSIF) or have private insurance through American Mutual Share Insurance.

A bank is a business entity organized and doing business to earn a profit for its owners by providing financial services to the general public. Control of a bank is usually maintained by stockholders with the largest investment in the bank. Unlike credit unions, bank depositors have no say or control in the operation of the bank. The Federal Deposit Insurance Corporation (FDIC) insures bank deposits. State-chartered banks operate under the banking provisions of the Texas Finance Code.

## **Can I join any credit union?**

Each credit union is made up of individuals within certain communities of interest. These communities are commonly referred to collectively as a credit union's "Field of Membership" (FOM). If you are within that FOM, you are eligible to join. You are not limited to membership in one credit union but may join any credit union if you fall within its FOM. The Cornerstone Credit Union League can assist you in determining and locating a credit union for which you are eligible by calling (800) 442-5762, Ext. 6483.

## **Why are the funds I deposit not always immediately available to me?**

Federal Regulation CC (Availability of Funds and Collection of Checks) governs the time federally insured financial institutions may hold check deposits before making the funds available to the depositor. The purpose of this regulation is to balance the credit union's risk of loss through theft by fraud with the member's need for access to his or her funds. Depending on the type of check, the amount of the check and whether it is defined as local or non-local, the hold may vary from one day to the date the institution actually collects the funds. Credit unions are required to disclose their funds availability policy at all locations where deposits are accepted.

## **Are shares of mutual funds or annuities purchased at my credit union insured?**

Mutual fund shares and annuities purchased at a credit union are not federally-insured. The mutual funds carry the same risk as any other mutual fund shares, including the possible loss of principal. Annuities are generally issued by an

insurance company and are only as safe as the insurance company underwriting them. Your credit union should be able to provide you with information concerning the insurance company's financial condition.

## What happened to "XYZ" credit union?

✘ If a credit union is no longer in business, it usually has merged with another credit union to provide additional services and products to the members. To find out what happened to a credit union that is no longer in business, you can contact the Credit Union Department for a state-chartered credit union, or the the National Credit Union Administration (NCUA) for a federally-chartered credit union.

## Where does the money go?

## Does a credit union have a right to remove funds from a personal account without authorization?

Yes. If you have an account and a loan at the same credit union, and you are delinquent in your loan payments, the credit union generally has a right to access your personal account without notification and withdraw the funds necessary to bring the loan current. This is normally addressed in the loan agreement and/or membership agreement under which you assign a security interest in your accounts to the credit union. The credit union also has the right to apply funds in your account to any indebtedness you have to the credit union under a statutory lien or the right of set off. "Set off" is a concept whereby mutual debts are offset against each other. For example, if you have money in a deposit account with the credit union, it "owes" you that money. When you owe the credit union money, set off enables the credit union to recover its debt "from" you by canceling its debt "to" you. In

other words, one offsets the other.

## **Does a credit union have a right to withhold my car title once I pay off my car loan?**

In most credit union loan documents there is a clause referred to as cross-collateralization, that authorizes the credit union to retain the collateral given for one loan until all loans with the credit union are paid in full. This clause generally also allows the repossession of the collateral (in this case the car) if you are delinquent on any of your loans with the credit union. The actual terms of your loan agreement(s) would control in each case.

## **What are my rights regarding unauthorized automatic teller machine (ATM) transactions?**

Under Federal Regulation E (Electronic Funds Transfer Act), the extent of a member's liability on unauthorized ATM transactions may be limited to the first \$50 withdrawn. Depending on the circumstances such as how long the member takes to report a loss of an ATM card or unauthorized transactions, liability could be greater. If, however, someone to whom the member supplied the card and personal identification number performs the transactions, then the transactions are generally considered to have been authorized.

The member is responsible for notifying the credit union immediately when unauthorized transactions are discovered, which initiates an investigation by the credit union.

## [What do I do if I have a complaint against a credit union?](#)

If you have a problem, you should first try to resolve it directly by contacting an officer of the credit union. Frequently, a complaint is merely the result of a miscommunication or misunderstanding that can be easily resolved. Credit unions value their members and in most situations will be responsive to your concerns. If you are unable to resolve your complaint with the institution directly, you may contact the Credit Union Department. Please see the "Complaints" section of this website for more information regarding the form of the complaint and how we can help.

## [How does an account become "presumed abandoned", and what happens to abandoned accounts?](#)

✘ Accounts identified by credit unions as "presumed abandoned" are subject to dormant account laws of the state of Texas. Under section 73.101 of the Texas Property Code, an account is classified as abandoned when: (1) it has been inactive (without any member initiated activity) for at least five years, (2) the credit union is unable to identify the location of the member, and (3) the balance of the account or the contents of the safety deposit box have not been delivered to the Comptroller in accordance with Chapter 74 of the Texas Property Code. If, however, the account is a checking or savings account or is a matured certificate of deposit, the account is presumed abandoned if the account has been active for at least three years. An account is not considered abandoned if the member has another account at the credit union that is in active status.

An account becomes inactive beginning on the date of the depositor's last transaction or correspondence concerning the

account. A safe deposit box becomes inactive beginning on the date a rental was due but not paid.

## **How does an account become classified as "Inactive"?**

An account is inactive if for more than one year there has not been a debit or a credit to an account because of an act by the member and the member has not communicated with the credit union. The automatic crediting of dividends or interest to the account by the credit union does not count to keep the account active. The Code does not require a credit union to notify the member when an account becomes inactive. Section 73.003(a) of the Texas Property Code prohibits a credit union from service charging an inactive account.

## **Who do I contact to claim abandoned or unclaimed funds?**

You may contact the credit union or the Unclaimed Property Division of the Comptroller of Public Accounts at (800) 654-3463 or on the web <http://www.window.state.tx.us> (as per the Texas Administrative Code Section 1134).