

# Credit Union Department



## NEWSLETTER

No. 02-05

[www.tcuad.state.tx.us](http://www.tcuad.state.tx.us)

February 28, 2005

### **Results of Credit Union Commission Meeting**

The Credit Union Commission held meetings on Friday, February 11, 2005. At those meetings the Commission took the following actions regarding Commission Rules and Interpretations.

Adopted the following interpretations:

- ❑ **152.9, 152.11 and 152.13** – Home Improvement Lending
- ❑ **153.93** – Methods of Notification

Adopted amendments to the following rules:

- ❑ **91.403** – Federal Parity Debt Cancellation Products
- ❑ **91.709** – Member Business Loans
- ❑ **91.804** – Custody and Safekeeping

Readopted without changes the following rules:

- ❑ **97.101** – Meetings
- ❑ **97.102** – Delegation of Duties
- ❑ **97.103** – Recusal or Disqualification of Commission members
- ❑ **97.105** – Frequency of Examinations
- ❑ **97.106** – Complaint Notice
- ❑ **97.107** – Related Entities
- ❑ **97.113** – Operating Fees
- ❑ **97.114** – Charges for Public Records
- ❑ **97.200** – Employee Training Program
- ❑ **97.205** – Historically Underutilized Business

- ❑ **97.207** – Contracts for Professional or Personal Service
- ❑ **97.300** – Gifts of Money or Property

Approved for publication and comment in the *Texas Register* proposed amendments to the following sections:

- ❑ **91.801** – [Investments in CUSOs](#)

Approved for publication and comment in the *Texas Register* the following proposed New Interpretations:

- ❑ **152.1, 152.3, 152.5, 152.7 and 152.15** – [Home Improvement Loans on Homestead](#)

(Click on the link to view the proposed amendments and the new interpretations).

### **Written Comments on Proposed Amendment and New Interpretations**

Written comments on the proposed amendments to the Rule 91.801 and the proposed new Interpretations 152.1, 152.3, 152.5, 152.7, or 152.15 should be submitted to Department as soon as possible. To be considered by the Commission the written comments must be received no later than March 28, 2005. Comments should be sent to Kerri T. Galvin, General Counsel, Credit Union Department, 914 East Anderson Lane, Austin, Texas, 78752-1699 or by email to [kerri.galvin@tcud.state.tx.us](mailto:kerri.galvin@tcud.state.tx.us).

### **Public Meeting on Proposed New Interpretations**

The Commissioner has been delegated the authority to conduct a public meeting on behalf of the Commission for the purpose of receiving oral comments, views, and/or testimony concerning the proposed new Interpretations 152.1, 152.3, 152.5, 152.7, or 152.15. A public meeting will be held in Austin on March 24, 2005, at 1:00 p.m. in the State Finance Commission Building located at 2601 North Lamar Boulevard. To be considered, an oral comment must be received at this public meeting; at the conclusion of the meeting, no further oral comments will be considered or accepted by the Commission.

### **Second Installment – Operating Fee**

On February 18, 2005, the final Operating Fee invoices for Fiscal Year 2005 were mailed to all credit unions. All fees must be received on or before **March 30, 2005** to avoid the payment of any penalties. If you did not receive an invoice, please contact Isabel Velasquez at (512) 837-9236.

### **New Written Disclosures Required for Debt Cancellation Products**

Newly adopted amendments to Rule 91.403 requires credit unions to give borrowers a written disclosure prior to borrower's purchase of a debt cancellation product. This disclosure must include the following:

1. a statement that the purchase of the debt cancellation product is optional;
2. the conditions for and method of calculating any refund of the debt cancellation fee, including when fees are considered earned by the credit union; and
3. a statement that the member should carefully review all of the terms and conditions of the debt cancellation agreement prior to signing the agreement.

Please note that GAP waiver agreements are considered debt cancellation products.

### **Member Business Loan Rule Revisions**

The Commission has adopted substantial amendments to Rule 91.709 regarding member business loans. Credit unions who are engaged in member business lending should review this amended rule carefully. The amendments give state chartered credit unions more permissive regulations similar to those for federal credit unions. In addition, they also set forth certain specific criteria for any waivers of member business loan limits. Credit unions should also note that nonmember participation investments are now included in the member business loan balances cap.

### **New Due Diligence Requirement for Safekeepers**

Newly adopted amendments to Rule 91.804 requires credit unions to perform an annual analysis of each safekeeper as part of their due diligence. In performing this analysis, credit unions should consider current financial data, annual reports, reports of nationally-recognized statistical rating organizations, relevant disclosure documents, and other sources of financial information. Credit unions must also now obtain and reconcile on a monthly basis a statement of purchased investments and repurchased collateral held in safekeeping.

### **IRS Form 990 Authorization**

**Reminder....**IRS Form 990, Authorization Form was due 1/24/05.

This Authorization Form is necessary for the Credit Union Department's documentation for filing the consolidated IRS Form 990 return on the behalf of all credit unions. Under Rule 91.209 the Commissioner may assess **\$100 per day** charge for late filing. The Department will waive these late fees for credit unions that provide the Authorization Form to this office by 5 p.m. March 15, 2005. Late Fees will be assessed to credit unions not providing the form by that date from 1/24/05 until the form is received. Faxed copies of the form will be accepted. Our fax number is (512) 832-0278.

**Anti Money Laundering and USA Patriot Act Compliance**

Anti Money Laundering compliance in the credit union movement has never been more important. Since 9/11, the concerns of law enforcement and credit union regulators about the laundering of proceeds from the drug trade have merged with concerns about terrorist financing, elevating Anti Money Laundering compliance to a matter of national security. The issue is in the spotlight and it is likely to remain there for the foreseeable future. Accordingly, credit unions should expect that their compliance programs will be subject to intensified scrutiny in the coming months.

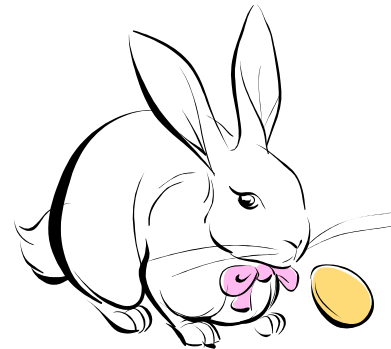
**Publishing Notice of Applications in the Texas Register**

In order to meet the submission deadlines for the applicable issues of the Texas Register, it is necessary for the Department to establish the schedule included below. Completed applications received after the deadline for the month cannot be published until the following month.

<b><u>Published In</u></b>	<b><u>Deadline for Receipt</u></b>
March, 2005	Friday, March 11
April, 2005	Friday, April 15
May, 2005	Friday, May 13

**Report of Officials for 2005**

Section 122.060 of the Texas Finance Code provides that each credit union must file a report with the Department not later than the 30<sup>th</sup> day after the date of the annual organizational meeting or appointment of any interim officer, director or committee member. Copies of the Report of Officials form for 2005 were included with the Department 2004 Call Report package. We will also accept the NCUA's Report of Officials in lieu of the Department's form. Please be advised that failure to submit the required report within the specified time frame may result in the assessment of a late penalty. If you have misplaced or need additional copies of the form, please contact us or visit our website at: [www.tcred.state.tx.us](http://www.tcred.state.tx.us).



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**APPLICATIONS APPROVED**

Applications approved since January 31, 2005 include:

<b><u>Credit Union</u></b>
<b>St. Joseph's Credit Union</b> (San Antonio)
<b>Associated CU of Texas</b> (Texas City)
<b>Texas Bay Area Credit Union</b> (Pasadena)
<b>Texas Employees Credit Union</b> (Dallas)
<b>Harlingen Area Teachers Credit Union</b> (Harlingen)
<b>InvesTex Credit Union</b> (Houston) (Amended)

<b><u>Changes or Groups Added</u></b>
See Newsletter No. 11-04
See Newsletter No. 12-04
See Newsletter No. 12-04
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Persons who live within a 10-mile radius of the InvesTex Credit Union offices located at: 905 Aldine Bender Road, Houston, TX 77032 and 230 Cypresswood, Spring, TX 77388.

Field of Membership Change(s) Approved (Continued):

- Texas Trust Credit Union (Grand Prairie) (#1) (Amended)** See Newsletter No. 12-04  
Persons who live, work, worship, or attend school in, and businesses located within a 10-mile radius of the Texas Trust Credit Union office located at: 109 West F. M. 1382, Cedar Hill, TX 75104.
- Texas Trust Credit Union (Grand Prairie) (#2) (Amended)** See Newsletter No. 12-04  
Persons who live, work, worship, or attend school in, and businesses located within a 10-mile radius of the Texas Trust Credit Union office located at: 1900 Country Club Drive, Mansfield, TX 76063.

Articles of Incorporation Change(s) Approved:

- Denton Area Teachers Credit Union (Denton)** See Newsletter No. 12-04  
**MemberSource Credit Union (Houston)** See Newsletter No. 12-04

Merger(s) or Consolidation(s) Changes Approved:

- Houston Association of Realtors CU with First Service CU** See Newsletter No. 11-04

**APPLICATIONS RECEIVED**

The following applications were received and published in the February 25, 2005 issue of the Texas Register.

Field of Membership Expansion(s):

- United Community Credit Union** (Galena Park) – To permit employees of the Crosby Independent School District in Crosby, Texas, to be eligible for membership in the credit union.
- Members Credit Union** (Cleburne) – To permit persons who live, work, worship, or attend school in and businesses located in zip codes 76028 and 76036, to be eligible for membership in the credit union.

Comments or a request for a meeting by any interested party relating to an application must be submitted in writing within 30 days from the date of this publication. Credit unions that wish to comment on any application must also complete a Notice of Protest form. The form may be obtained by contacting the Department at (512) 837-9236 or downloading the form at <http://www.tcred.state.tx.us/applications.html>. Any written comments must provide all information that the interested party wishes the Department to consider in evaluating the application. All information received will be weighed during consideration of the merits of an application. Comments or a request for a meeting should be addressed to the Texas Credit Union Department, 914 East Anderson Lane, Austin, Texas 78752-1699.

Articles of Incorporation Change(s):

- Coastal Community and Teachers Credit Union** (Corpus Christi) -- To amend its Articles of Incorporation relating to par value.

Comments or a request for a meeting by any interested party relating to an application must be submitted in writing within 30 days from the date of this publication. Any written comments must provide all information that the interested party wishes the Department to consider in evaluating the application. All information received will be weighed during consideration of the merits of an application. Comments or a request for a meeting should be addressed to the Texas Credit Union Department, 914 East Anderson Lane, Austin, Texas 78752-1699.