
Credit Union Department



NEWSLETTER

No. 10-06

www.t cud.state.tx.us

October 31, 2006

RESULTS OF CREDIT UNION COMMISSION MEETINGS

The Credit Union Commission held two meetings on Friday, October 20, 2006. At those meetings the Commission took the following actions regarding Commission Rules and Interpretations.

o **Adopted amendments to the following rules:**

91.701 – Lending Powers; **91.704** – Real Estate Lending; **91.708** – Real Estate Appraisals or Evaluations; **91.710** – Overdraft Protection; **91.711** – Loan Participations; **91.712** – Plastic Cards; **91.713** – Indirect Financing of Motor Vehicles or Other Chattels; **91.714** – Leasing; **91.715** – Exceptions to the General Lending Policies; **91.718** – Charging Off or Setting Up Reserves; **91.719** – Loans to Officials and Senior Management Employees; **153.13** – Preclosing Disclosures.

o **Approved for publication and comment the following proposed new rules:**

95.100 – [Definitions](#); **95.101** – [Share and Depositor Insurance Protection](#); **95.102** – [Qualifications for an Insuring Organization](#); **95.103** – [General Powers and Duties of an Insuring Organization](#); **95.104** – [Notices](#); **95.105** – [Reporting](#); **95.106** [Amount of Insurance Protection](#); **95.107** – [Sharing Confidential Information](#); **95.108** – [Examination](#); **95.109** – [Fees and Charges](#); **95.205** – [State not Liable for any Deficiency](#); **95.310** – [Fees and Charges](#); and **95.400** – [Requirements of Participating Credit Unions](#).

o **Approved for publication and comment proposed amendments to the following rules:**

95.200 – [Notice of Taking Possession; Appointment of Liquidating Agent; Subordination of Rights](#); **95.300** – [Share and Deposit Guaranty Credit Union](#); **95.301** – [Authority for a Guaranty Credit Union](#); **95.302** – [Powers](#); **95.304** – [Capital Contributions; Membership Investment Shares; Termination](#); and **95.305** – [Audited Financial Statements; Accounting Procedures; Reports](#).

(Click on the title to view the proposed new rules and amendments)

COMMENTS ON PROPOSED NEW RULES

Written comments on the proposed new Rules **95.100, 95.101, 95.102, 95.103, 95.104, 95.105, 95.106, 95.107, 95.108, 95.109, 95.205, 95.310, and 95.400** should be submitted to the Department as soon as possible. To be considered by the Commission written comments must be received no later than **December 3, 2006**. Comments should be sent to: Credit Union Department, 914 East Anderson Lane, Austin, Texas, 78752-1699 or by e-mail to info@tcud.state.tx.us.

COMMENTS ON PROPOSED AMENDMENTS

Written comments on the proposed amendments to Rules **95.200, 95.300, 95.301, 95.302, 95.304, and 95.305** should be submitted to the Department as soon as possible. To be considered by the Commission written comments must be received no later than **December 10, 2006**. Comments should be sent to: Credit Union Department, 914 East Anderson Lane, Austin, Texas, 78752-1699 or by e-mail to info@tcud.state.tx.us.

RULE REVIEW

The Department is currently reviewing and considering for re-adoption, revision, or repeal Rules **91.501** (Eligibility to Hold Office), **91.502** (Director Fees and Expenses), **91.503** (Change in Credit Union President), **91.510** (Bond and Insurance Requirements), **91.515** (Financial Reporting), **91.516** (Audits and Verifications), **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). Each rule will be reviewed to determine whether it is obsolete, whether the rule reflects current legal and policy considerations, and whether the rule reflects current procedures for the Department. In addition, the Department invites comments on how to make these rules easier to understand. For example:

- Do the rules organize the material to suit your needs? If not, how could the material be better organized?
- Do the rules clearly state the requirements? If not, how could the rule be more clearly stated?
- Do the rules contain technical language or jargon that isn't clear? If so, what language requires clarification?
- Would a different format (grouping and order of sections, use of headings, paragraphing) make the rule easier to understand? If so, what changes to the format would make the rule easier to understand?
- Would more (but shorter) sections be better in any of the rules? If so, what sections should be changed?

Written comments regarding these rules should be received no later than **November 30, 2006**. Any comments should be sent to Credit Union Department, 914 East Anderson Lane, Austin, Texas, 78752-1699 or by e-mail to info@tcud.state.tx.us.

NEW E-MAIL FORMAT

Recently you may have noticed a change in the way that your email from the Department is coming. In an attempt to deliver better information to you we have incorporated HTML formatting of our e-mails. This may cause your e-mail client to hide the contents of the message. If this is the case, you can find the option to allow HTML viewing in your Tools/Options menu.

In addition to the format change, we have changed the way that we will be delivering your Newsletter notification. If you did not receive your newsletter via e-mail, please have the person in charge of your e-mail spam filter add the following to the credit unions e-mail spam filters:

tcud-web (rrcs-24-227-172-131.sw.biz.rr.com[24.227.172.131])

If you have any difficulties or would like to discuss this further, please feel free to contact Brian Donahoo, Network Specialist at (512) 837-9236.

BANK SECRECY ACT/ANTI-MONEY LAUNDRERY COMPLIANCE PROGRAM

As part of your continuing efforts to administer and maintain an effective program for compliance with BSA, credit unions are reminded that the training requirement encompasses the board of directors.

While the board of directors may not require the same degree of training as credit union operations personnel, they need to understand the importance of BSA/AML regulatory requirements, the ramifications of noncompliance, and the risks posed to the credit union. Without a general understanding of the BSA, the board of directors cannot adequately provide BSA/AML oversight; approve BSA/AML policies, procedures, and processes, or provide sufficient BSA/AML resources. Accordingly, it is important that board training be ongoing and incorporate current developments and changes to the BSA and any related regulations.

WEBSITE SECURITY REVIEW

State regulations require that each credit union with a transactional website provide for a review of the adequacy of the website's security measures at least once every two years. Commission Rule 91.4002 specifies that the review must cover the adequacy of the physical and logical protection against unauthorized access including denial of service and other forms of electronic access. For the purposes of this rule, a transactional website is defined as an internet site that enables users to conduct financial transactions such as accessing an account, obtaining an account balance, transferring funds, processing bill payments, opening an account, applying for or obtaining a loan, or purchasing other authorized products or services.

AUTHENTICATION FOR INTERNET-BASED SERVICES

Credit unions which provide Internet-based services must provide appropriate authentication methodologies and technologies to authenticate members. A risk assessment of products and services must be completed to determine if the credit union offers services or transactions that are considered high-risk. Effective security measures must be in place to mitigate the risks of electronic fraud. Single factor authentication may be inadequate to protect from unauthorized

Authentication for Internet-Based Services (Continued):

access involving high risk transactions. Therefore, controls such as multifactor authentication, layered security, or other controls must be developed and implemented to mitigate the risk.

NCUA has established December 31, 2006, as the date by which credit unions, which offer high-risk transactions, are expected to have in place acceptable measures to protect from unauthorized access to member accounts and confidential information.

Resources for credit unions: <http://www.ncua.gov/letters/2006/CU/06-CU-13.pdf> and <http://www.ncua.gov/letters/2005/CU/05-CU-18.pdf>

NEWSLETTER NOTICE

As required by statute, each state agency must obtain an annual confirmation from individuals receiving monthly publications at no charge. Specifically, the law requires that a notice be placed in three consecutive issues of the publication, and that anyone desiring to continue to receive the publication must so indicate in writing. Please submit the enclosed form to our office if you desire to continue to receive the Department's newsletter each month. Faxes are welcomed ([Click here for the form](#)).

DIRECTOR APPLICATIONS

As credit unions begin preparation for annual meetings and elections, the officials are reminded that persons who are nominated for, or are seeking re-election to office must complete a written Director Application and Agreement to Serve. Rule 91.501(b) provides minimum qualification requirements that must be met. The application of elected directors must be incorporated into the minutes of the first board meeting following the election and maintained at the credit union office for review by the examiners. Incumbent board members running for re-election must complete an application as well. If a person nominated from the floor or by petition is elected to the board, the application must be completed within 30 days. Any person appointed to the board to fill an unexpired term of another board member must also complete an application within 30 days of the appointment. For your convenience, the form is available on the TCUD website (<http://www.tcud.state.tx.us/applications/index.html>).

APPLICATIONS APPROVED

Applications approved since September 30, 2006 include:

<u>Credit Union</u>	<u>Changes or Groups Added</u>
Field of Membership Change(s) Approved:	
Firstmark Credit Union (#3) (San Antonio)	See Newsletter No. 08-06
Firstmark Credit Union (#1) (San Antonio) (Modified) Persons who attend school in Atascosa County, Texas.	See Newsletter No. 08-06
Firstmark Credit Union (#2) (San Antonio) (Modified) Persons who attend school in Bandera County, Texas.	See Newsletter No. 08-06
Firstmark Credit Union (#4) (San Antonio) (Modified) Persons who attend school in Comal County, Texas.	See Newsletter No. 08-06

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

Firstmark Credit Union (#5) (San Antonio) (Modified) Persons who attend school in Guadalupe County, Texas.	See Newsletter No. 08-06
Firstmark Credit Union (#6) (San Antonio) (Modified) Persons who attend school in Kendall County, Texas.	See Newsletter No. 08-06
Firstmark Credit Union (#7) (San Antonio) (Modified) Persons who attend school in Medina County, Texas.	See Newsletter No. 08-06
Firstmark Credit Union (#8) (San Antonio) (Modified) Persons who attend school in Wilson County, Texas.	See Newsletter No. 08-06

Charter Change(s) Approved:

Concho Valley Credit Union (San Angelo)	50 Years to Perpetuity
First Priority Credit Union (Abilene)	50 Years to Perpetuity
T&FS Credit Union (Port Arthur)	50 Years to Perpetuity
Neighborhood Credit Union (Dallas)	50 Years to Perpetuity
Government Service Credit Union (Port Arthur)	50 Years to Perpetuity
First Class American Credit Union (Fort Worth)	50 Years to Perpetuity
Fort Worth City Credit Union (Fort Worth)	50 Years to Perpetuity
Plus4 Credit Union (Houston)	50 Years to Perpetuity
PosTel Family Credit Union (Wichita Falls)	50 Years to Perpetuity

APPLICATIONS RECEIVED

The following applications were received and published in the October 27, 2006 issue of the Texas Register.

Field of Membership Expansion(s):

The Education Credit Union (Amarillo) – To permit members of the Bushland ISD PTO Council, to be eligible for membership in the credit union.

First Service Credit Union (Houston) – To permit employees of Allied Waste Services of Houston who work in or are paid from Houston, Texas, to be eligible for membership in the credit union.

Firstmark Credit Union (San Antonio) – To permit persons who live, work, worship or attend school in and businesses located within 10 miles of Firstmark Credit Union branches at: 11530 IH-35 North, San Antonio, TX 78233 and 2023 Gold Canyon Road, San Antonio, TX 78232, 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.

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.

<u>Published In</u>	<u>Deadline for Receipt</u>
November, 2006	Friday, November 10
December, 2006	Friday, December 15

UPCOMING HOLIDAY SCHEDULE FOR TCUD

The Department's office will be closed on **November 23-24, 2006** in observance of Thanksgiving.

