
Credit Union Department



NEWSLETTER

No. 07-08

www.t cud.state.tx.us

July 31, 2008

Deadline for Compliance with the FACT Act's ID Theft Red Flags Program

Last year, the federal regulatory agencies, along with the Federal Trade Commission (FTC) adopted final rules to implement several of the required regulations under the Fair and Accurate Credit Transactions Act (FACT Act) amendments to the Fair Credit Reporting Act.

FTC rules apply to state-chartered credit unions and federal credit unions follow the National Credit Union Administration (NCUA) rules on this topic. One of the rules, the "Red Flags Rule" includes the requirement for all financial institutions to create and implement an Identity Theft Prevention Program.

Particularly, this provision requires financial institutions to create a program that will:

- Identify relevant patterns, practices and specific forms of activity that are red flags signaling possible identity theft in connection with opening a covered account or an existing covered account.
- Include procedures for detecting red flags.
- Include procedures for responding to any red flags detected to help prevent and mitigate ID theft.
- Update the Program regularly to reflect the changing ID theft environment.

The Department reminds credit unions that compliance is mandatory by November 1.

Posting Complaint Notices

Pursuant to 7 TAC §97.106, every credit union must post a complaint notice in all of its offices and branches. It must be clearly visible in the entrance or lobby areas and must be in 14-point type or larger. The notice must also state the name, address, and telephone number of the Department, and must inform members how they may direct complaints to the Department. The prescribed notice is on the Department's website (www.t cud.state.tx.us) under Forms.

Real Estate Lending

Continued weakness in the housing market and the rise in foreclosures have increased the potential for credit unions to obtain higher levels of foreclosed real estate assets. Although the Department encourages credit unions to avoid unnecessary foreclosures of residential properties through loan modifications that achieve affordable, sustainable mortgage obligations, where foreclosures are unavoidable, we remind credit unions of the need to establish written procedures for acquiring, holding, and disposing of these properties [Rule 91.704(b)]. These procedures should ensure that the credit union's interests in the asset are protected while mitigating the impact on the value of surrounding properties.

Reporting of Crimes and Catastrophic Acts

State regulations require each credit union to notify the Department within 10 days of the discovery of certain crimes or catastrophic acts. Commission Rule 91.209 specifies that a crime or suspected crime is reportable if a Suspicious Activity Report (SAR) must be filed in accordance with federal regulations. Credit unions are also required to report the occurrence of any catastrophic act that impacts an office of the credit union. The reporting requirements may be satisfied by submitting a written notice of the event or a copy of the SAR directly to the Department. Failure to submit the required information to the Department within the allotted timeframe subjects a credit union to a late filing fee of up to \$100 per day.

Member Access to Records

It appears that many credit unions may not realize that members must be given access to the articles of incorporation and the bylaws. Section 4.01(b) of the standard bylaws provides that the articles of incorporation and bylaws of a credit union "shall be made available for inspection by any member". The provision goes on to require that the board of directors establish "written policies regarding members' access to the articles of incorporation, bylaws, rules, guidelines, board policies, and copies thereof." Credit unions should ensure that they have adopted appropriate policies and that their employees understand their role in responding to member requests.

Operating Fee

As credit unions are aware, the operating fee is paid in a semi-annual installments effective September 1 and March 1. The first installment representing 50% of the total fee must be paid by no later than September 30, 2008. The amount of the final installment will be determined after review and consideration of revenues and actual expenses for the fiscal year. The final installment, which will not be greater but may be less than 50% of the total fee, will be due no later than March 31, 2009. The fee will be calculated based upon the credit union's total assets at June 30, 2008. The invoice for the first installment will be mailed on August 29, 2008. If you have any questions or disagree with our computation, please give us a call. Otherwise, please remember that the first portion of the fee must be received on **September 30, 2008**, in order to avoid penalties.

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>
August, 2008	Friday, August 15
September, 2008	Friday, September 12

Applications Approved

Applications approved since June 30, 2008 include:

<u>Credit Union</u>	<u>Changes or Groups Added</u>
Field of Membership Change(s) Approved:	
TexasOne Community Credit Union (Houston) (Conditional)	See Newsletter No. 02-08
MemberSource Credit Union (Houston)	See Newsletter No. 05-08
Midwestern State University Credit Union (Wichita Falls)	See Newsletter No. 05-08
Articles of Incorporation Change(s) Approved:	
U. S. Employees Credit Union (The Woodlands)	See Newsletter No. 05-08
Merger(s) or Consolidations(s) Changes Approved:	
Permian Basin Credit Union with Midland Community FCU	See Newsletter No. 11-07
Key FCU with Smart Financial Credit Union	See Newsletter No. 04-08
Garland FCU with America's Credit Union	See Newsletter No. 04-08

Applications Received

The following applications were received and published in the July 25, 2008 issue of the Texas Register.

Field of Membership Expansion(s):

PosTel Family Credit Union (Wichita Falls) – To permit employees of Media Recovery Inc. (MRI) who work in or are paid out of the Graham, Texas, 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.

Merger(s) or Consolidation(s):

An application was received from **Dallas Western Union Employees Credit Union** (Dallas) seeking approval to merge with **Corner Stone Credit Union** (Lancaster), with the latter being the surviving 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. 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.

