
Credit Union Department



NEWSLETTER

No. 05-09

www.t cud.state.tx.us

May 31, 2009

NOTICE OF REGULAR COMMISSION MEETING

The Credit Union Commission will hold its regular meeting on Friday, June 19, 2009, at 9:00 a.m., in the conference room of the Department. ([Click here for a copy of the draft agenda](#)).

NEW LICENSING REQUIREMENTS FOR TEXAS CUSOS WITH RESIDENTIAL MORTGAGE LOAN ORIGINATORS

The Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (SAFE Licensing Act) passed by Congress last July requires that certain residential mortgage loan originators be licensed through state authorities. Among the residential mortgage loan originators required to be licensed are those individuals employed by CUSOs that engage in this type of activity.

HB10, the Texas implementation of the SAFE Licensing Act, is working its way through the legislative process. The bill, as currently written, gives the Texas Department of Savings and Mortgage Lending (SML) jurisdiction over the licensing of residential mortgage loan originators employed by CUSOs owned by a state or a federal credit union and conducting business in Texas. The Credit Union Department will have examination and enforcement authority over those licensed individuals.

To assist SML in developing a list of prospective licensees, we are gathering information on CUSOs which originate residential mortgage loans. You may have already received a letter from our Department requesting information on your CUSO. If you have not received such a letter and you have a CUSO that engages in this activity, please provide us with its name, address, and a contact person. We will forward this information to SML so that it may begin contacting entities about the licensing process. You may mail, email (to betsy.loar@t cud.state.tx.us) or fax (to 512-832-0278) the information. Please contact Betsy Loar at 512-837-9236 if you have any questions.

INTERNAL CONTROLS

Many credit unions, faced with the current economic turbulence and NCUA's corporate credit union stabilization activities, are considering implementing new strategies including cutting

costs, offering different products, and pursuing other activities that have higher yields. While the Department recognizes that credit unions must adapt to changing business conditions, we want to remind management that strong internal controls are critically important. The following recent examples of unsafe, unsound, and sometimes fraudulent activities caused credit unions to suffer significant financial losses due to breakdowns in internal controls:

- Unauthorized and unsupervised overdrafts of members' accounts.
- Unauthorized loans and falsified loan records.
- Employee embezzlements.

No system of internal controls is foolproof; however, strong internal control systems can reduce risk and minimize loss. We encourage all credit unions to carefully review and, where appropriate, strengthen their internal control systems.

RESPONSE TO REPORT OF EXAMINATION

The credit union's board of directors is responsible for ensuring that a formal review of the Department's Report of Examination is completed and documented in the board minutes. The board is also responsible for ensuring that appropriate action is taken to resolve the examination findings in a timely manner. If the officials are not in agreement with specific findings or the timeframe for corrective action, a written response should be submitted to the Department to document the areas of disagreement. It is our intent to work with the credit union's officials in a cooperative manner to resolve areas of concern identified during the examination. However, any failure to resolve the examination findings within the agreed upon timeframe may be grounds for the Department to take further administrative action against a credit union.

2009 ANNUAL SURVEY QUESTIONNAIRE

We would like to thank each of you that participated in the 2009 Survey Questionnaire. The feedback we receive from our credit unions is valuable. The Department is committed to enhancing its examination and regulatory oversight and relies on your feedback to identify and respond to concerns. We are pleased by the positive comments we received, especially given the operational challenges credit unions are facing. Your thoughtful comments contribute to the success of the agency.

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.

Published In

June, 2009
July, 2009

Deadline for Receipt

Friday, June 12
Friday, July 17

APPLICATIONS APPROVED

Applications approved since April 30, 2009 include:

Credit Union

Changes or Groups Added

Field of Membership Change(s) Approved:

Community Resource Credit Union (Baytown)

See Newsletter No. 03-09

Articles of Incorporation Change(s) Approved:

TEC/TWC Credit Union (San Antonio)

See Newsletter No. 03-09

APPLICATIONS RECEIVED

The following applications were received and published in the May 29, 2009 issue of the *Texas Register*.

Field of Membership Expansion(s):

Cabot & NOI Employees Credit Union (Pampa) – To permit employees of CTW Brake Rims, Inc. who work in or are paid from Pampa, Texas, to be eligible for membership in the credit union.

Space City Credit Union (Houston) – To permit persons who live, work, worship or attend school, businesses and other legal entities located within a 10-mile radius of the following Space City Credit Union branch locations: 3101 Harrisburg Boulevard, Houston, Texas 77003 or 1233 West Loop South, Houston, Texas 77027, 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 **EDS Credit Union** (Plano) seeking approval to merge with **First American Federal Credit Union** (Santa Ana, CA). EDS Credit Union will be the surviving credit union. In accordance with Texas Finance Code §122.005(b) and 7 TAC §91.104(b), the Commissioner has the authority to waive or delay public notice of an action.

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.

