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# Credit Union Department



## NEWSLETTER

No. 01-10

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

January 31, 2010

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### **Notice of Rules Committee Meeting**

The Rules Committee will hold its meeting in Austin on Thursday, February 18, 2010, at 1:00 p.m., at the offices of the Credit Union Department. The draft agenda is available on the TCUD website for your convenience.

### **Notice of Regular Commission Meeting**

The Credit Union Commission will hold its regular meeting on Friday, February 19, 2010, at 9:00 a.m., in the conference room of the Department. The agenda is available on the TCUD website for your convenience.

### **Proposed Reverse Mortgage Guidance**

The Federal Financial Institutions Examination Council has published proposed *Reverse Mortgage Products: Guidance for Managing Compliance and Reputation Risk*. The guidance is designed to help financial institutions ensure that their risk management and consumer protection practices adequately address the compliance and reputation risks raised by reverse mortgage lending.

The proposed guidance discusses the general features of, certain legal provisions applicable to, and consumer protection concerns raised by, reverse mortgage products. In addition, it focuses on the need to provide adequate information to consumers about reverse mortgage products; to provide qualified independent counseling to consumers considering these products; and to avoid potential conflicts of interest. The proposed guidance also addresses related policies, procedures, and internal controls and third party risk management.

Credit unions offering this product or considering offering this product should review the proposed guidance at: [Reverse Mortgage Guidance](#).

## **Reporting Loan Participations**

Credit unions in recent years have increasingly purchased participation interests in loans originated by other financial institutions. The loan participation is a permitted investment as provided by Section 124.351 of the Texas Finance Code. However, based on contradictory language between the statute and §91.711 of the commission rules, there has been confusion concerning the appropriate method of reporting the obligation on the credit union's financial statement and call report. Generally accepted accounting principles, as well as the form 5300 call report instructions, specify that purchased participation loans will normally be reported as a loan rather than an investment. In order to ensure consistency in the reporting of purchased participation loans, credit unions are instructed to report the obligations as loans, unless a determination is made that an alternative classification is required under generally accepted accounting principles.

## **Filing of IRS Form 990**

Credit unions are reminded that the Internal Revenue Service (IRS) Form 990 return for the 2009 tax year is due to the IRS by May 15<sup>th</sup>. Credit unions are allowed to file for an automatic 3-month extension with the completion and submission of a Form 8868 to the IRS prior to the due date. The Form 990 is an information return for non-profit entities and is very different from the Form 990-T which is utilized to report Unrelated Business Income Tax (UBIT). Although the Department does maintain a Frequently Asked Questions link on its website, it can not provide accounting or legal advice regarding UBIT or IRS Form 990.

## **Department Financials on Website**

The Department has posted its quarterly financial statement on its website under Reports: [http://www.tcu.state.tx.us/index.php?option=com\\_weblinks&catid=29&Itemid=370](http://www.tcu.state.tx.us/index.php?option=com_weblinks&catid=29&Itemid=370) The statement reflects the income and expenses for the first quarter of the 2010 fiscal year, which covers September through November, 2009. We will be posting this information after the close of each quarter. Please contact Betsy Loar if you have questions about this report.

## **Amendments to Regulation E**

The Federal Reserve Board has finalized amendments to Regulation E that prohibit credit unions from charging members fees for paying overdrafts on automated teller machine (ATM) and one-time debt card transactions, unless the member affirmatively consents, or opts-in, to the overdraft service for those types of transactions. This rule applies to any fee charged for overdrawing an account, regardless of what the fee is called (e.g., "NSF" fee).

Before opting in, the member must be provided a notice that explains the credit union's overdraft services, including the fees associated with the service, and the member's choices. The final rule does not apply to the payment of overdrafts for other types of transactions, including checks, ACH transactions, or decoupled debit card transactions (as they are processed by account-holding institutions as ACH transactions).

The final rule was effective on January 19, 2010, with a mandatory compliance date of July 1, 2010.

## **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>
February, 2010	Friday, February 12
March, 2010	Friday, March 12

## **Applications Approved**

Applications approved since December 31, 2009 include:

<b><u>Credit Union</u></b>	<b><u>Changes or Groups Added</u></b>
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Field of Membership Changes Approved:

### **North East Texas Credit Union** (Lone Star) (Amended)

See Newsletter No. 10-09

Members of the Friends of Consumer Freedom, Inc. who live work, worship, or attend school in Camp, Cass, Franklin, Marion, Morris, Titus, or Upshur Counties.

### **Cabot & NOI Employees Credit Union** (Pampa) See Newsletter No. 10-09

### **EDS Credit Union** (Plano) (#1)

See Newsletter No. 11-09

### **EDS Credit Union** (Plano) (#2)

See Newsletter No. 11-09

### **EDS Credit Union** (Plano) (#3)

See Newsletter No. 11-09

### **EDS Credit Union** (Plano) (#4)

See Newsletter No. 11-09

### **EDS Credit Union** (Plano) (#5)

See Newsletter No. 11-09

Articles of Incorporation Change Approved:

### **Pegasus Credit Union** (Dallas)

See Newsletter No. 11-09

Merger or Consolidation Change Approved:

### **Texas Employees CU with America's Credit Union**

See Newsletter No. 09-09

## Applications Received

The following application was received and published in the January 29, 2010 issue of the *Texas Register*:

Merger or Consolidation:

An application was received from **Unity One Credit Union** (Fort Worth) seeking approval to merge with **GCM Federal Credit Union** (Minnesota), with Unity One Credit Union being the continuing 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.**

## Holiday Schedule for TCUD

The Department's office will be closed on **February 15, 2010**, in observance of President's Day.

