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# Credit Union Department



## NEWSLETTER

No. 03-10

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

March 31, 2010

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### **COMPLAINTS INCREASE NEARLY 30%**

For the 2009 fiscal year, the Department handled 100 written complaints, up from 77 the year before. Complaints about overdraft fees were, by far, the most common. Members felt the fees were too high, were charged too frequently and unfairly, and were charged even when the members had funds in their accounts. Related to overdraft fee complaints were complaints that the credit union was timing a member's deposits and withdrawals to generate higher fees for the credit union.

Another common complaint concerned the credit union's placement of collateral protection insurance. Members complained that the insurance was added to the loan unjustifiably and believed that refunds were not fairly calculated. Frequently members complained about customer service or about a credit union's failure to grant or refinance a loan.

Additionally, members protested the credit union's use of cross-collateralization clauses. Members also failed to understand the effect on interest accrual when they used skip pay or made late payments. Finally, at least one member's credit card interest rate was increased despite the fact that she had no late payments with this creditor. The credit union admitted it had a "universal default" provision in its credit card agreement and had based the increase on a review of the member's credit report.

### **OFF-SET AND CROSS-COLLATERALIZATION PROHIBITION FOR HOME EQUITY LOANS**

The Texas Constitution prohibits right of off-set clauses and cross-collateralization clauses in home equity loan agreements. See 7 TAC Sections 153.8(3) and (4), which interpret Constitution Section 50(a)(6)(H). In addition, cross-collateralization clauses in other loan documents, such as car loans or lines of

credit agreements, may not be enforced against home equity loans. For example, credit unions cannot hold—or threaten to hold—vehicle titles to secure delinquent home equity payments. Nor may credit unions transfer funds to make home equity payments unless the member has voluntarily set up automatic payments. Conversely, credit unions must release a home equity lien when paid even if the member has outstanding delinquent loans with the credit union.

Credit unions should ensure their collection employees are aware of these restrictions. Credit unions should also review their loan and account agreements for compliance with these provisions.

### **NEW NOTICE REQUIREMENT**

Credit unions are reminded that last year the Legislature passed a new provision (Section 122.107 of the Finance Code), requires that each credit union shall give notice to its members on the availability of certain documents related to the credit union's finances and management as addressed in Commission Rule 91.315, the notice must be continually posted on the credit union's website and also published twice a year in the credit union's newsletter. If a credit union does not maintain an Internet website or distribute a newsletter, it must provide notice at least semiannually with each member's account statement.

### **SHARE INSURANCE REGULATIONS**

The Department periodically receives inquires about the applicability of certain provisions of the NCUA Rules and Regulations to state-chartered credit unions. Based on the federal share insurance coverage, a number of the federal regulations also apply to state-chartered, federally-insured credit unions. Part 741 of the NCUA Rules and Regulations provides a detailed assessment of the federal regulations that are also applicable to state-chartered credit unions. Credit unions are encouraged to ensure that the regulation is reviewed to determine the specific requirements that apply to all federally-insured credit unions.

### **MARCH 31 CALL REPORT CYCLE**

The due date for the March 31, 2010 call report is **Friday, April 23, 2010**. As a reminder, credit unions must go into their On-Line Profile and make any changes necessary and certify these changes before completing the call report. Even if no changes to the On-Line Profile are necessary, the Profile must be certified before completing each quarterly call report.

During the December 31, 2009 call report cycle, a number of credit unions showed different information on the On-Line Profile for CUSO activities than on the call report. The CUSO information on the call report matches the On-Line Profile.

After its 2010 annual meeting, each credit union must also go into the On-Line Profile and update any changes to the board of directors and committee members and certify those changes. If you encounter problems updating the profile, please call Isabel Velasquez as soon as possible at (512) 837-9236.

### **CHANGE 25, RULES FOR TEXAS CREDIT UNIONS**

On April 1, 2010, Change 25 to update the Rules for Credit Unions will be mailed to all credit unions. The effective date of these revisions was March 14, 2010. Additional copies of the rules or any updates may be purchased from the Texas Credit Union League, 4455 LBJ Freeway, Farmers Branch, Texas 75244.

### **CREDIT UNION FINANCIAL TRENDS AS OF 12/31/09**

The 2009 credit union financial trends can be viewed on our website under the "reports" tab or you can contact Isabel Velasquez for a printed copy.

### **HOW ARE WE DOING?**

On March 15, 2010, the Department mailed a questionnaire to all state-chartered credit unions soliciting comments on such topics as the Department's examination process, examination report quality, and application procedures. Although this is a voluntary questionnaire, your feedback will provide valuable assistance in determining how the Department can better serve you in the future.

### **PUBLISHING NOTICE OF APPLICATIONS IN THE TEXAS REGISTER**

To meet the submission deadlines for the applicable issues of the *Texas Register*, the Department has established the schedule 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>
April, 2010	Friday, April 16
May, 2010	Friday, May 14

### **APPLICATIONS APPROVED**

Applications approved since February 28, 2010 include:

<b><u>Credit Union</u></b>	<b><u>Changes or Groups Added</u></b>
Merger or Consolidation Changes Approved:	
<b>SPCO FCU with Graphic Arts Credit Union</b>	See Newsletter No. 12-09
<b>GCM FCU with Unity One Credit Union</b>	See Newsletter No. 01-10

Charter Change Approved:

**Grand Prairie Credit Union** (Grand Prairie)

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### **APPLICATIONS RECEIVED**

The following applications were received and published in the March 26, 2010 issue of the Texas Register:

Field of Membership Expansions:

**Qualtrust Credit Union** (Irving) – To permit persons who live, work, worship or attend school in, businesses and other legal entities located within a 10-mile radius of the Qualtrust Credit Union member service facility located at 2150 Flower Mound Road, Flower Mound, Texas 75038, 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.t cud.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 or Consolidation Changes:

An application was received from **EECU** (Fort Worth) seeking approval to merge with **Fort Worth Star Telegram Employees Federal Credit Union** (Fort Worth). EECU will be the surviving credit union.

An application was received from **America's Credit Union** (Garland) seeking approval to merge with **CAM Federal Credit Union** (Dallas). America's Credit Union will be 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.

