



# Newsletter

No. 03-16



March 16, 2016



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*CUD is the state agency that regulates and supervises credit unions chartered by the State of Texas. The Department is professionally accredited by the National Association of State Credit Union Supervisors (NASCUS) certifying that CUD maintains the highest standards and practices in state credit union supervision.*

*Our **Mission** is to safeguard the public interest, protect the interests of credit union members and promote public confidence in credit unions.*

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## **Credit Union Commission**

*The Commission is the policy making body for CUD. The Commission is a board of private citizens appointed by and responsible to the Governor of Texas.*

### **Members:**

Manuel Cavazos IV, Chair  
Allyson "Missy" Morrow, Vice Chair  
Beckie Stockstill Cobb  
Yusuf E. Farran  
Steven "Steve" Gilman  
Sherri Brannon Merket  
Gary D. Tuma  
Kay Stewart  
Vik Vad

## **Next Commission Meeting**

*Friday, July 8, 2016 beginning at 9:00 a.m. in the offices of CUD.*

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## **Annual Credit Union Survey**

The Department recently sent an email to each credit union president containing a link to our online survey. Each year the Department solicits comments from all state-chartered credit unions to foster quality improvement and to provide a point of reference for areas where we may need to sharpen our focus. The survey is confidential and the credit union's identity will remain anonymous unless the credit union provides its name under the comment section. If any credit union did not receive the email or is having problems with the **link** to the survey, please contact Isabel Velasquez at (512) 837-9236.



## **Deposits from United States or Other Government Entities**

Texas Finance Code §123.204 affords credit unions the ability to accept deposits from the United States or an agent or instrumentality of the United States, as well as from various political subdivisions of the state or other states. The political subdivisions may include a municipality, a county, a school district, or another taxing authority. Prior to opening such accounts, credit unions should take appropriate measures to ensure the governmental entity qualifies for membership in the credit union. Furthermore, credit unions should be aware that some of the statutory requirements that are applicable to these governmental entities prescribe the types of financial institutions where the entities may place their deposits; and credit unions are not always designated as an authorized depository.



## Complaints

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As you are already aware, consumer complaints are increasing each year. This is not a trend unique to credit unions. Below is a chart showing the increase in the number of complaints received by the Department.



Unfortunately no one gets to ignore member complaints, including credit unions who are asked to respond to a complaint received by the Department. When the Department receives a complaint, the Department will send you a letter asking for a response with documentation. Each response request has a due date that can be found in the letter sent to you from the Department together with a copy of the complaint. Your response needs to be in the Department on or before that due date. We've seen a marked increase in the number of responses coming in after the due date. Credit unions may be subject to a late filing fee of \$50 for each day or fraction of a day such report or document is in arrears, as provided by 7 TEX. ADMIN. CODE § 91.209(c).

To avoid such late fees, the best practice may be for each credit union to have a dedicated email box which is accessed by more than one person. We have had instances of sending emails in good faith, only to find that the recipient is out on vacation for two weeks or that the person no longer works at the credit union but the email address is nevertheless still active. It is imperative in order for us to be legally compliant with the laws regarding complaints to receive timely responses from you.

Another issue that has caught our attention is insufficient documentation when you send a response to a complaint. If you talk about a document, policy, or a procedure in the response, please enclose all copies of those discussed documents with your response. If there is no documentation, we will need to follow up with you requesting such documentation. Your legal duty in responding to complaints is to prove with documentation that you investigated the complaint and that you handled the subject matter of the complaint in accordance with applicable law.



## ***Collateral Risk***

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Some credit union members are becoming drivers for Transportation Network Companies (TNC), such as Uber and Lyft. Use of personal vehicles for these purposes could lead to physical damage and it is our understanding that many auto insurance policies are not designed to cover these types of situations. Unfortunately, if that vehicle is currently be financed by a credit union, these potential uncovered damages may affect the value of the collateral and ultimately impact the credit union's collateral interest. We would, therefore, encourage credit unions to consider methods to better identify borrowers that are using their vehicles as TNC drivers and institute appropriate risk mitigation measures. Such measures may include, but are not limited to the following:

- Look for TNC activity listed as income on loan applications and consider adding this as a specific question in the loan application;
- If it is determined the borrower is using or planning to use the collateral for TNC activities, consider requiring them to obtain commercial auto insurance designed specifically for TNC drivers.
- If your credit union provides collateral protection insurance, check with the provider to determine if coverage extends to damage while collateral is being driven for a TNC;
- If your credit union does not have a collateral protection program, consider implementing one that provides coverage for TNC activities to help mitigate this risk exposure; and
- If you provide a GAP coverage program to your borrowers, check with the provider to determine if it is appropriate to offer GAP for loans secured by collateral being used for TNC activities.



## ***Publication Deadlines***

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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>Publication Date</u>	<u>Application Deadline</u>
April, 2016	Friday, April 15
May, 2016	Friday, May 13



## Applications Approved

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Applications approved since February 17, 2016 include:

<u>Credit Union</u>	<u>Changes or Groups Added</u>
<i>Articles of Incorporation Change – Approved:</i> <b>Corpus Christi City Employees Credit Union</b> (Corpus Christi)	See Newsletter No. 01-16
<i>Merger or Consolidation – Approved:</i> <b>Defense Contracts South FCU</b> (Dallas) and <b>America’s CU</b> (Garland)	See Newsletter No. 10-15
<b>Pegasus Community CU</b> (Dallas) and <b>Neighborhood CU</b> (Dallas)	See Newsletter No. 11-15

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## Applications Received

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There were no applications received.

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*This newsletter is produced monthly as a part of the Department’s continued communication outreach with the credit unions it regulates. Delivery is generally provided by electronic notification of its availability on the Department’s website.*

*Suggestions and comments concerning the newsletter or its content are welcomed.*

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To learn more about CUD click <http://www.cud.texas.gov> or contact us at 914 E. Anderson Lane, Austin, TX 78752

