
Credit Union Department



NEWSLETTER

No. 11-09

www.t cud.state.tx.us

November 30, 2009

Credit Unions are Responsible for Filing 2009 IRS FORM 990

Credit unions are reminded that next year they will be required to file individual 2009 IRS Forms 990. These forms will be due on May 17, 2010. The Department will no longer be completing a consolidated group return. As part of the transition, the Department will be notifying credit unions of available training and assistance resources and will be updating its Frequently Asked Questions link on the website. Watch the newsletters and Department website for new information.

Some credit unions will be required to file a Form 990-T in addition to the Form 990. Credit unions should consult a tax advisor to determine whether they must file this additional return. This is particularly important given recent favorable developments in unrelated business income tax litigation.

Fees on Inactive Accounts

Some credit unions may not be aware that Texas Property Code §73.003 prohibits financial institutions from imposing a service charge on an inactive account. That section also prohibits transferring or converting the account to the profits or assets of the financial institution or otherwise reducing the value of the account. Credit unions should review their policies and procedures to be sure they comply with this section.

The Texas Comptroller of Public Accounts oversees the unclaimed property process and can audit a financial institution for compliance with this statute.

Failure to Implement Proper Access Controls Might Create Liability

Credit unions are increasingly offering a variety of Internet services ranging from simple inquiries to complex e-Commerce activities for their members. As these services increase in volume and complexity, criminals are using more sophisticated methods for account fraud and identify theft. Credit unions should become more diligent to safeguard member information, to reduce fraud, and to inhibit identity theft. One of the effective security measures to mitigate these risks is to implement an effective and reliable authentication system.

Recently, an Illinois District Court ruled a bank can be sued for their failure to adopt multi-factor authentication and concluded the bank breached its common law duty to protect the plaintiffs' account against fraudulent access. The court held that if the bank's failure to adopt multi-factor authentication caused fraudulent access to plaintiffs' account, it could be liable for negligence (*Shames-Yeakel v. Citizens Financial Bank*, U.S. Dist. Ct. No. Dist. Ill., No. 07 C 5387. August 21, 2009).

The court observed that the Federal Financial Institutions Examination Council (FFIEC), which includes the National Credit Union Administration, had issued guidance entitled [*Authentication in an Internet Banking Environment*](#) to all financial institutions, which states, "The [FFIEC] agencies consider single-factor authentication, as the only control mechanism, to be inadequate for high-risk transactions involving access to customer information or the movement of funds to other parties. Financial institutions offering Internet-based products and services to their customers should use effective methods to authenticate the identity of customers using those products and services...." (See also NCUA Letter No.: 05-CU-18.) In addition, the FFIEC Guidance reminds financial institutions, "The risks of doing business with unauthorized or incorrectly identified persons in an Internet banking environment can result in financial loss and reputation damage through fraud, disclosure of customer information, corruption of data, or unenforceable agreements."

RuleRemarks

Credit unions are reminded that the Department has a new feature on its website (www.t cud.state.tx.us) to allow credit unions to comment on and suggest potential changes to the rules that are listed for the Department's mandatory review. The Department is currently soliciting feedback on the rules that are scheduled to be reviewed by the Commission in February.

Credit Union Online Profile

Based upon a preliminary comparison of information provided in the June call report cycle with the September cycle, there appears to be some significant variations in the recently input profile section of NCUA's new Online Call Report System. In particular, there are a number of inconsistencies in the information submitted with respect to programs/services and the disaster recovery location/vital records center for credit unions. It is important for each credit union to update its profile and re-certify it prior to submitting the call report information. You may contact Isabel Velasquez or Robert Baxter at 512-837-9236 if you have questions or need further explanation.

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>
December, 2009	Friday, December 11
January, 2010	Friday, January 15

Applications Approved

Applications approved since October 31, 2009 include:

<u>Credit Union</u>	<u>Changes or Groups Added</u>
Field of Membership Change Approved:	
Memorial Hermann Credit Union (Houston)	See Newsletter No. 08-09
LibertyOne Credit Union (Dallas)	See Newsletter No. 08-09

Articles of Incorporation Change Approved:

Abilene State School Employees Credit Union (Abilene) See Newsletter No. 09-09

Applications Received

The following applications were received and published in the November 30, 2009 issue of the *Texas Register*:

Field of Membership Expansion(s):

Cabot & NOI Employees Credit Union (Pampa,) -- To permit employees of Fluid Compressor Partners, 2538 W. Kentucky, Pampa, TX 79065, to be eligible for membership in the credit union.

Winkler County Credit Union (Kermit) -- To permit persons who live, work, worship, attend school, or do business in Winkler, Loving, Reeves, Brewster, Jeff Davis, Presidio, and Terrell Counties, Texas, to be eligible for membership in the credit union.

EDS Credit Union (Plano) (#1) -- To permit persons who live, work, worship, or attend school within a ten-mile radius of the following credit union location: 1300 W. Warm Springs Road, Henderson, NV 89014, to be eligible for membership in the credit union.

EDS Credit Union (Plano) (#2) -- To permit persons who live, work, worship, or attend school within a ten-mile radius of the following branch location: 3930 W. Craig, Suite #101, North Las Vegas, NV 89032, to be eligible for membership in the credit union.

EDS Credit Union (Plano) (#3) -- To permit persons who live, work, worship, or attend school within a ten-mile radius of the following credit union location: 5695 E. Charleston, Suite #106, Las Vegas, NV 89142, to be eligible for membership in the credit union.

EDS Credit Union (Plano) (#4) -- To permit persons who live, work, worship, or attend school within a ten-mile radius of the following branch location: 6265 S. Rainbow Blvd., Las Vegas, NV 89118, to be eligible for membership in the credit union.

EDS Credit Union (Plano) (#5) -- To permit persons who live, work, worship, or attend school within a ten-mile radius of the following branch location: 7312 W. Cheyenne, Suite #2, Las Vegas, NV 89129, 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.tcup.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.

Articles of Incorporation Change(s):

Pegasus Credit Union (Dallas) -- The credit union is proposing to change its name to Pegasus Community 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.

Upcoming Holiday Schedule for TCUD

The Department's office will be closed on December 24-25, 2009 in observance of Christmas. The office will also be closed on New Year's Day (January 1, 2010).



All of us join in wishing you a wonderful Holiday Season with the very best of everything in the coming New Year