
Credit Union Department



NEWSLETTER

No. 10-10

www.t cud.state.tx.us

October 31, 2010

OCTOBER COMMISSION MEETING ACTIONS

At its meeting earlier this month, the Commission adopted amendments to eight of the lending rules, as well as rescinding one rule. Among other changes, the amendments modify the requirements for lending policies in Rule 91.701, clarify requirements for obtaining appraisals in Rule 91.708 when a loan is renewed, and update rules to incorporate references to the SAFE Act. Rule 91.702 was repealed, as its provisions were incorporated into Rule 91.701. Credit unions that currently comply with the existing 91.701 requirements and with all federal share insurance guidance and requirements should not have to modify their lending policies as a result of these changes.

The Commission also adopted two new rules that will permit the Department, in limited instances, to collect legal and other costs incurred by the Department as a direct result of the actions or inactions of a credit union. Both rules were amended from the original proposed versions to further limit and articulate the circumstances under which these costs could be assessed against a credit union. In addition, both rules provide that before any credit union must pay an assessment, the credit union may appeal the matter to the Commission.

The new and amended rules can be found on the Department's website at: www.t cud.state.tx.us.

RULE REVIEW

The Texas Credit Union Commission will review and consider for re-adoption, revision, or repeal **Chapter 91**, §§**91.501** (Director Eligibility and Disqualification), **91.502** (Director/Committee Member Fees, Insurance, Reimbursable Expenses, and Other Authorized Expenditures), **91.503** (Change in Credit Union President), **91.510** (Bond and Insurance Requirements), **91.515** (Financial Reporting), **91.516** (Audits and Verifications), **91.601** (Share and Deposit Accounts), **91.602** (Solicitation and Acceptance of Brokered Deposits), **91.608** (Confidentiality of Member Records), and **91.610** (Safe Deposit Box Facilities) of Title 7, Part 6

of the Texas Administrative Code in preparation for the Commission's Rule Review as required by Section 2001.039, Government Code.

An assessment will be made by the Commission as to whether the reasons for adopting or readopting these rules continue to exist. Each rule will be reviewed to determine whether it is obsolete, whether the rule reflects current legal and policy considerations, and whether the rule reflects current procedures of the Credit Union Department.

Comments or questions regarding these rules may be submitted in writing to, Credit Union Department, 914 East Anderson Lane, Austin, Texas 78752-1699, or electronically to info@tcud.state.tx.us. The deadline for comments is December 15, 2010.

The Commission also invites your comments on how to make these rules easier to understand. For example:

- ❑ Do the rules organize the material to suit your needs? If not, how could the material be better organized?
- ❑ Do the rules clearly state the requirements? If not, how could the rule be more clearly stated?
- ❑ Do the rules contain technical language or jargon that isn't clear? If so, what language requires clarification?
- ❑ Would a different format (grouping and order of sections, use of headings, paragraphing) make the rule easier to understand? If so, what changes to the format would make the rule easier to understand?
- ❑ Would more (but shorter) sections be better in any of the rules? If so, what sections should be changed?

Any proposed changes to these rules as a result of the rule review will be published in the Proposed Rule Section of the *Texas Register*. The proposed rules will be open for public comment prior to final adoption by the Commission.

PROPOSED FEE STRUCTURE FOR RESIDENTIAL MORTGAGE LOAN ORIGINATORS

The State Regulatory Registry LLC has recently issued a request for public comment regarding proposed fees for registration in the Nationwide Mortgage Licensing System & Registry by residential mortgage loan originators employed by financial institutions. The NCUA and the federal banking agencies have contracted with the Conference of State Bank Supervisors' State Regulatory Registry to accommodate registrations by credit unions and banks as required by the Secure and Fair Enforcement for Mortgage Licensing Act. Some of the individual fees would be: an initial \$30 fee for the first six months, which climbs to \$60 for registration between July 1 and December; and annual renewal fee of \$30; a change of employment fee of \$30; and a criminal background check of \$39 for electronic fingerprints and \$49 for paper fingerprints. Institutional fees would be an initial and annual fee of \$100 and a two-factor authentication annual subscription fee of \$70. You can find a copy of the request under [Proposals for Comment](#). Interested parties have until November 12, 2010 to provide comment (see the

request for comment submission procedures). Following the comment period, the State Regulatory Registry will review all comments and finalize these fees.

REGISTRATION OF RESIDENTIAL MORTGAGE LOAN ORIGINATORS – UPDATE

Although the federal registration system is not yet implemented, it is not too early to start planning. It is now possible to view the Form MU1R and Form MU4R requirements on the Nationwide Mortgage Licensing System and Registry (NMLS) [website](#). (The credit union will have to complete a Form MU1R and the mortgage loan originator [employee] will complete and attest to a Form MU4R.)

The registration system is not expected to be implemented before January 2011. Credit unions will receive advance notice of the initial transition period date and they will have 180 days from that date to be in compliance with federal registration.

We will continue to update credit unions as we receive new information and we encourage credit unions to monitor the NMLS [Resource Center](#).

ANNUAL DOLLAR TRIGGER FOR CERTAIN HOME MORTGAGE LOANS

The Board of Governors of the Federal Reserve System has published its annual amendment to its Regulation Z Commentary related to the dollar amount that triggers requirements for certain home mortgage loans subject to 12 CFR 226.32. The Home Ownership and Equity Protection Act of 1994 established rules for home-secured loans in which the total points and fees payable by the consumer at or before loan closing exceed the greater of \$400 or 8 percent of the total loan amount. The \$400 amount is adjusted annually based on the annual percentage change in the Consumer Price Index that is in effect on June 1. The adjusted dollar amount for 2011 is \$592.

PROMPT CORRECTIVE ACTION

Texas credit unions are subject to the prompt corrective action requirements of state and federal regulations. When a credit union's net worth ratio falls below the "well-capitalized" regulatory threshold of 7.0%, the credit union is required to increase the dollar amount of net worth by 0.1% from current earnings in each calendar quarter. If the credit union's net income will not be sufficient to achieve this earnings retention standard, a waiver must be requested from the Credit Union Department and the NCUA. A waiver request should be submitted jointly to the Credit Union Department and the NCUA regional office at least 15 days prior to the end of each calendar quarter. Additional information regarding the earnings retention and reserve transfer requirements is detailed in Commission Rule 91.901 and Part 702 of the NCUA's Rules and Regulations.

NEWSLETTER NOTICE

As required by statute, each state agency must obtain an annual confirmation from individuals receiving a paper copy of a monthly publication at no charge. Specifically, the law requires that a notice be placed in three consecutive issues of the publication, and that anyone desiring to continue to receive a paper copy of the publication must so indicate in writing. Please submit the enclosed form to our office if you desire to continue to receive a paper copy of the Department's newsletter each month. **(For those receiving an electronic link of the newsletter, no action is required).** Faxes are welcomed ([click here for the form](#)).

DEPARTMENT CONTACTS

The Department is available to answer questions regarding regulatory issues that are within our purview. It should be noted that we cannot provide credit unions with legal advice, and any issue that requires a formal opinion by the Commissioner should be submitted in writing. For general questions regarding the topics included below, the appropriate staff member can be reached at (512) 837-9236. The individuals can also be contacted by email using the format: firstname.lastname@tcud.state.tx.us.

Examination-Related: Robert Baxter or James Deese
Call Report: Isabel Velasquez or Robert Baxter
Field of Membership: Betsy Loar or Linda Clevlen
Rule/Compliance: Robert Baxter, Betsy Loar or James Deese

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>
November, 2010	Friday, November 12
December, 2010	Friday, December 10

APPLICATIONS APPROVED

Applications approved since September 30, 2010 include:

Credit Union

Changes or Groups Added

Field of Membership Change(s) Denied:

First Central Credit Union (Waco)	See Newsletter No. 07-10
Cabot & NOI Employees Credit Union (Pampa) (#1)	See Newsletter No. 08-10
Cabot & NOI Employees Credit Union (Pampa) (#2)	See Newsletter No. 08-10
SPCO Credit Union (Houston) (#1)	See Newsletter No. 08-10
SPCO Credit Union (Houston) (#2)	See Newsletter No. 08-10

Articles of Incorporation Changes(s) Approved:

Baylor Health Care System Credit Union (Dallas)	See Newsletter No. 08-10
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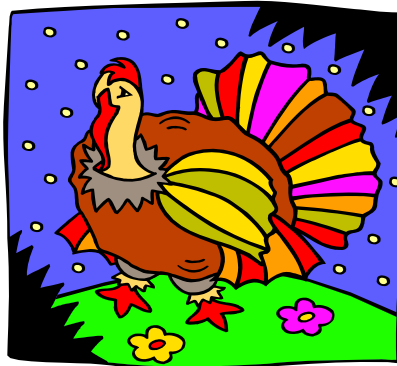
APPLICATIONS RECEIVED

There were no applications received.

UPCOMING HOLIDAY SCHEDULE FOR TCUD

The Department's office will be closed on **November 11, 2010** in observance of Veterans Day.

The Department's office will be closed on **November 25-26, 2010** in observance of Thanksgiving.



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 at <http://www.t cud.state.tx.us>.

Suggestions and comments concerning the newsletter or its content should be sent to the Department at 914 East Anderson Lane, Austin, Texas 78752-1699 or via email to info@t cud.state.tx.us.