



Newsletter

No. 02-14



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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.

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

Gary D. Tuma, Vice Chair

Gary L. Janacek

Sherri B. Merket

Allyson "Missy" Morrow

Rob Kyker

Kay Stewart

Vik Vad

A. John Yoggerst

Next Commission Meeting

Friday, February 21, 2014 beginning at 9:00 a.m. at the State Capitol, Room E2.010.

Operating Fee

The invoices for the second installment of the Operating Fee for Fiscal Year 2014 will be mailed to credit unions the week of February 24th. The assessment must be received on or before **March 30, 2014** to avoid the payment of any penalties. If you do not receive an invoice, please contact Isabel Velasquez at (512) 837-9236.



Laws, Regulations, Policies, Procedures, and Practices

It should be no surprise that, in conducting their examination and supervision duties, examiners look to the regulation and laws as a basis for determining compliance. The laws and regulations establish the requirements for operating the credit union. Board policies provide the specifics about how the board wants management to conduct business in accordance with the laws and regulations. Beyond reviewing the policies, the examiner reviews operating procedures to not only gauge compliance with regulation and law, but also to ensure management and staff is complying with the directives of the board.

Operating procedures detail how policy is implemented and business conducted. It is through the review and understanding of a comprehensive group of policies and procedures that an examiner gains insight into the internal control structure at the credit union. The final piece of the equation; are the operating practices consistent with policy and procedures? Many examination findings are the result of practices inconsistent with board policy or written procedures. Operational management should review both procedures and practices when any change occurs (regulation or policy) to ensure that the credit union is meeting both its regulatory and board requirements.



Your Feedback Matters

The Department believes the quality of our agency improves, when we listen to what you have to say. Your input – whether it is a compliment, suggestion, concern, or complaint – is valuable to our continued success. We, therefore, encourage credit unions to use the form available on our website to comment on something the Department is doing well – or could improve upon.



When Members Complain of an Unauthorized Transaction, Credit Unions must Respond

Regulation E requires credit unions to promptly investigate claims of unauthorized electronic funds transfers. The requirement to investigate is triggered when the member gives the credit union notice of the unauthorized transfer. The member may provide notice in person, by telephone, or in writing. While Regulation E allows financial institutions to require written confirmation of an oral notice, it also requires the financial institution to inform the consumer of the requirement and provide the address where confirmation may be sent. If credit unions require such a written confirmation, they should carefully document their compliance with the required disclosures to the member.

The provision which allows for the financial institution to require written confirmation of an oral notice does not modify the requirement or time limit for the financial institution to investigate the alleged unauthorized withdrawal. If a member who made timely oral notice to the credit union fails to provide a written confirmation on the credit union's schedule, the credit union must still investigate the claim. A financial institution is required to investigate promptly after receipt of either an oral or written notice of unauthorized withdrawal and determine whether an error occurred, generally within 10 business days. The credit union must give the member a written explanation of its findings and include a statement of the consumer's right to request the documents that it relied on in making its determination.

The Regulation sets forth time limits in which a member shall report an unauthorized transfer. However, Regulation E clearly states that the time limits should be extended for a "reasonable period" if the notice was untimely due to "extenuating circumstances." Official commentary to Regulation E lists hospitalization or extended travel as examples of extenuating circumstances. If a member claims "extenuating circumstances" caused him or her to give untimely notice, it would be wise for the credit union to document any response to such a claim, explaining its analysis of whether the facts qualify as "extenuating circumstances" and whether the extension of the time limit is "reasonable."

There is no minimum dollar amount to trigger investigation of a member's alleged unauthorized transfer. Regulation E does not permit financial institutions to ignore notice of an unauthorized transfer just because the disputed transfer is a small dollar amount. Credit unions that recognize it may cost more resources to investigate a claim than to resolve the issue in the member's favor may make the business decision to do so.

Credit union staff should review Regulation E to determine if credit union policies for claims of unauthorized transfers are in compliance with these requirements.



Publication Deadlines

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>
March, 2014	Friday, March 14
April, 2014	Friday, April 11

Applications Approved

Applications approved since January 15, 2014 include:

<u>Credit Union</u>	<u>Changes or Groups Added</u>
<i>Field of Membership Change – Approved:</i> Mesquite Credit Union (Mesquite) (Amended) Texas Dow Employees Credit Union (Lake Jackson) (#1, #2, #3)	See Newsletter No. 06-13 See Newsletter No. 10-13
<i>Merger or Consolidation – Approved:</i> BNSF CU (Amarillo) and Amarillo Community FCU (Amarillo)	See Newsletter No. 09-13
<i>Charter Change – Approved:</i> Keystone Credit Union (Tyler)	50 Years to Perpetuity



Applications Received

The following applications were received and will be published in the February 28, 2014 issue of the *Texas Register*.

Merger or Consolidation:

An application was received from **InTouch Credit Union** (Plano) seeking approval to merge with **Hospitality Federal Credit Union** (Memphis, Tennessee). InTouch 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 Credit Union Department, 914 East Anderson Lane, Austin, Texas 78752-1699.

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.



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

