



Newsletter

No. 07-11



July 2011



Credit Union Department
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CUD is the state agency that regulates and supervises credit unions chartered by the State of Texas. The Department is 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 the Governor of Texas.

Members:

Thomas F. Butler, Chair
Manuel Cavazos IV, Vice Chair
Gary L. Janacek
Dale E. Kimble
Sherri B. Merket
Allyson Morrow
Rob Kyker
Gary D. Tuma
A. John Yoggerst

Next Commission Meeting

Friday, October 21, 2011 beginning at 8:00 a.m. in the offices of CUD.

Operating Fee

As credit unions are aware, the operating fee is paid in semi-annual installments effective September 1 and March 1. The first installment, representing 50% of the total fee, must be paid by no later than September 30, 2011. The amount of the final installment will be determined after review and consideration of revenues and actual expenses for the fiscal year. The final installment, which will not be greater, but may be less, than 50% of the total fee, will be due no later than March 30, 2012. The fee will be calculated based upon the credit union's total assets at June 30, 2011. The invoice for the first installment will be mailed on August 26, 2011. If you have any questions or disagree with our computation, please give us a call. Otherwise, please remember that the first installment of the fee must be received by September 30, 2011, in order to avoid penalties.



Mortgage Lending Registration

The Secure and Fair Enforcement for Mortgage Lending Act of 2008 (SAFE Act) mandates a federal registry for credit unions and their employees who are "mortgage loan originators" (MLO). The registration requirement applies to virtually all credit unions that originate first-lien or second-lien residential mortgage loans. The deadline for registration was July 29, 2011. In order to avoid potential penalties for noncompliance, credit unions must ensure that their policies and procedures fully address the requirements detailed in Part 761 of the NCUA's Rules and Regulations. Additional information regarding the mortgage registration process is available at <http://www.ncua.gov/resources/safeact.aspx>



Rules Update to Credit Unions

Change 29, the most recent rules update was sent to credit unions electronically on July 26, 2011. Please contact our office if you have any questions.

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### ***Automobile Lending***

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Competition for automobile finance products is intense. Credit unions must be vigilant if their auto lending is a significant portion of their net worth and earnings. Heightened competition has prompted many credit unions to offer lower interest rates, lengthen amortization periods, and scale down payment requirements. Some credit unions are permitting credit arrangements outside underwriting guidelines if the dealer signs a recourse agreement to repurchase loans if they become delinquent. As a result, automobile lending is not the conventional collateral-based product it was in the past, but now places increased emphasis on borrower's repayment capacity, timely internal identification of potential problem loans, and closely monitored underwriting policies that prevent undesirable loans from being extended. The potential for increased risk to credit unions can be mitigated only through prudent lending policies and procedures, adequate internal controls, and strong oversight. Credit unions should also monitor and address deviations from approved policies, watch for spikes in portfolio growth or delinquency levels, and ensure that adequate loan reviews are performed.

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Rule Review

The Texas Credit Union Commission will review and consider for re-adoption, revision, or repeal the provisions of Chapter 91 that address Trust Powers including: §§**91.6001** (Fiduciary Duties), **91.6002** (Fiduciary Capacities), **91.6003** (Notice Requirements), **91.6004** (Exercise of Fiduciary Powers), **91.6005** (Exemption from Notice), **91.6006** (Policies and Procedures), **91.6007** (Review of Fiduciary Accounts), **91.6008** (Recordkeeping), **91.6009** (Audit), **91.6010** (Custody of Fiduciary Assets), **91.6011** (Trust Funds), **91.6012** (Compensation, Gifts, and Bequests), **91.6013** (Bond Coverage), **91.6014** (Errors and Omissions Insurance), and **91.6015** (Litigation File) 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@cud.texas.gov](mailto:info@ cud.texas.gov). The deadline for comments is August 7, 2011.

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

(Continued on page 3)

Rule Review

(Continued from Page 2)

- ❑ 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.

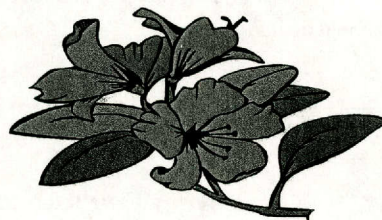
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## ***Publication Deadlines***

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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> |
|-------------------------|-----------------------------|
| August, 2011            | Friday, August 12           |
| September, 2011         | Friday, September 16        |



## ***Applications Approved***

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Applications approved since June 30, 2011 include:

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| <u>Credit Union</u>                                                   | <u>Changes or Groups Added</u> |
|-----------------------------------------------------------------------|--------------------------------|
| <i>Field of Membership Changes – Approved:</i>                        |                                |
| <b>Winkler County Credit Union</b> (Kermit)                           | See Newsletter No. 11-09       |
| <i>Merger or Consolidation – Approved:</i>                            |                                |
| <b>Dallas Cotton Belt Employees CU</b> with <b>Corner Stone CU</b>    | See Newsletter No. 12-10       |
| <b>Sears Waco Credit Union</b> with <b>First Central Credit Union</b> | See Newsletter No. 02-11       |
| <b>Benchmark Credit Union</b> with <b>Complex Community FCU</b>       | See Newsletter No. 05-11       |
| <i>Articles of Incorporation – 50 Years to Perpetuity – Approved:</i> |                                |
| <b>VATAT Credit Union</b> , Austin, Texas                             |                                |



## ***Applications Received***

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The following applications were received and published in the July 29, 2011 issue of the Texas Register.

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### *Field of Membership Expansion:*

**Southside Credit Union** (San Antonio) -- To permit members of Associates (called "Friends") of Los Compadres de San Antonio Missions National Historic Park, a non-profit organization headquartered at 6701 San Jose Dr., San Antonio, TX 78214, to be eligible for membership in the credit union.

**Tarrant County Credit Union** (Fort Worth) -- To permit employees of Elbit Systems of America who work in or are paid from Fort Worth, Texas, 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.cud.texas.gov/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.

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### *Merger or Consolidation:*

An application was received from **Texas Dow Employees Credit Union** (Lake Jackson) seeking approval to merge with **Bluebonnet Credit Union** (Houston), with Texas Dow Employees Credit Union being 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.

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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.*



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



