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# *Credit Union Department*



## *NEWSLETTER*

No. 07-07

[www.t cud.state.tx.us](http://www.t cud.state.tx.us)

July 31, 2007

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### ***Oversight of Third-Party Arrangements***

Third-party arrangements can help credit unions attain strategic objectives by increasing revenue or reducing costs and can facilitate access to needed expertise or efficiencies relating to a particular activity. However, inadequate management and control of third-party risks can result in a significant financial impact on a credit union, including legal costs, credit losses, increased operating costs, and loss of business.

The risks inherent in third-party arrangements are not significantly different from other risks credit unions face. In fact, the risks are often the same—the difference is where to look for them. Likewise, the framework for risk management is very similar. Risks should be identified, activities managed and controlled, information monitored, and processes periodically audited. Identified weaknesses should be documented and promptly addressed. As with any other undertaking by a credit union, poor strategic planning, inadequate due diligence, insufficient management oversight, and a weak internal control environment are common elements in problem situations. Similarly, the primary element for success is effective management.

### ***Public Information Requests***

Occasionally the Department receives requests under the Public Information Act for information regarding credit unions. The Public Information Act, formerly known as the Open Records Act, is written broadly and requires that the Department release records unless they are confidential. If the records are considered confidential, the Department must seek an attorney general's decision before it can withhold the records. Neither the statute nor the Department's policy requires that the Department notify a credit union if it receives a Public Information request pertaining to that credit union unless the requested information involves the credit union's privacy or property interests. If the request involves privacy or property interests the credit union will be given an opportunity to submit in writing to the attorney general reasons why the information should be withheld. Generally, however, the requests are for information that is considered public and the Department releases the information without further notice to the credit union.

## **Bank Secrecy Act Compliance**

Assessing the credit union's compliance with the Bank Secrecy Act (BSA) continues to be a primary focus of the Department's examination program. Regardless of the asset size or complexity of the operation, Part 748.2 of the NCUA's Rules and Regulations requires that each federally-insured credit union have a written BSA compliance program. At a minimum, the program must address the following:

- ❖ Provide for a system of internal controls to assure ongoing compliance;
- ❖ Provide for independent testing for compliance to be conducted by credit union personnel or outside parties;
- ❖ Designate an individual responsible for coordinating and monitoring day-to-day compliance;
- ❖ Provide training for appropriate personnel, and;
- ❖ Establish a customer identification program

Substandard BSA policies or procedures subject a credit union to significant monetary and/or criminal penalties for non-compliance with the federal law. Based on the ongoing national emphasis on this issue, credit unions with material or ongoing BSA compliance deficiencies will be subject to administrative sanctions by the Department.

## **Mortgage Fraud**

Mortgage loan fraud is a large and growing problem in this State. It can occur in any neighborhood and requires that all parties concerned maintain a high level of vigilance. Credit unions involved in mortgage lending should keep alert to fraud triggers, ask questions, review mortgage documentation, perform verifications, and report suspicious activity to the appropriate regulatory and law enforcement authorities in a timely manner. While even the best internal control environment will not prevent mortgage fraud in all instances, strong internal controls, coupled with an alert and knowledgeable staff, are a credit union's best line of defense.

## **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, 2007. 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 31, 2008. The fee will be calculated based upon the credit union's total assets at June 30, 2007. After you receive your first invoice, if you have any questions or disagree with our computations, please give us a call. Otherwise, please remember that the first portion of the fee must be received on **September 30, 2007**, in order to avoid penalties.

## **Change 17, Rules for Texas Credit Unions**

On July 23, 2007, Change 17 to update the Rules for Credit Unions was mailed to all credit unions. The effective date of this revision was July 8, 2007. Additional copies of the rules or any updates may be purchased from the Texas Credit Union League, P. O. Box 655147, Dallas, Texas 75265.

**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.

<b><u>Published In</u></b>	<b><u>Deadline for Receipt</u></b>
August, 2007	Friday, August 17
September, 2007	Friday, September 14

**APPLICATIONS APPROVED**

Applications approved since June 30, 2007 include:

<b><u>Credit Union</u></b>	<b><u>Changes or Groups Added</u></b>
Field of Membership Change(s) Approved:	
<b>EECU Credit Union</b> (Fort Worth)	See Newsletter No. 03-07
<b>Fellowship Credit Union</b> (San Antonio)	See Newsletter No. 04-07
<b>Beaumont Municipal Employees CU</b> (Beaumont) (#1)	See Newsletter No. 04-07
<b>First Service Credit Union</b> (Houston)	See Newsletter No. 05-07
<b>EDS Credit Union</b> (Houston)	See Newsletter No. 05-07
Field of Membership Change(s) Denied:	
<b>Beaumont Municipal Employees CU</b> (Beaumont) (#2)	See Newsletter No. 04-07
<b>Beaumont Municipal Employees CU</b> (Beaumont) (#3)	See Newsletter No. 04-07
Field of Membership Change(s) Withdrawn:	
<b>Pioneer Muslim Credit Union</b> (Houston)	See Newsletter No. 04-07
Merger(s) or Consolidations(s) Changes Approved:	
<b>G. H. &amp; H. Employees Credit Union</b> with <b>SPCO Federal CU</b>	See Newsletter No. 04-07
<b>South Texas Credit Union</b> with <b>K C T A Federal CU</b>	See Newsletter No. 05-07
<b>IMCO Employees Credit Union</b> with <b>America's Credit Union</b>	See Newsletter No. 05-07
Charter Conversion Approved:	
<b>Bluebonnet Credit Union</b> (Houston)	Federal to State

## **APPLICATIONS RECEIVED**

The following applications were received and published in the July 27, 2007 issue of the Texas Register.

Field of Membership Expansion(s):

**Bluebonnet Credit Union** (Houston) (#1) – To permit persons who live, work, worship, volunteer or attend school in, businesses and other legal entities located within a 10-mile radius of the Bluebonnet Credit Union member service facilities located at 930 Main Street, Suite T-265, Houston, Texas 77002; 5555 San Felipe, Suite 200, Houston, Texas 77056; and 504 West 19<sup>th</sup> Street, Houston, Texas 77008, to be eligible for membership in the credit union.

**Bluebonnet Credit Union** (Houston) (#2) – To permit persons who live, work, worship, volunteer or attend school in, businesses and other legal entities located within a 20-mile radius of the Bluebonnet Credit Union member service facility located at 9500 I-10 East, Baytown, Texas, to be eligible for membership in the credit union.

**First Central Credit Union** (Waco) – To permit persons who reside, work, worship or attend school within the boundaries of Hill County, 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.tруд.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):

**Matagorda County Teachers Credit Union** (Bay City) -- The credit union is proposing to change its name to Matagorda County 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.

