
Credit Union Department



NEWSLETTER

No. 05-07

www.tcupd.state.tx.us

May 31, 2007

NOTICE OF REGULAR COMMISSION MEETING

The Credit Union Commission will hold its regular meeting on Friday, June 15, 2007, at 10:00 a.m., in the conference room of the Department. For your convenience, the agenda will be available on the TCUD website the week of June 4th.

NEW APPOINTMENT TO THE COMMISSION

Governor Perry has announced the appointment of Allyson "Missy" Morrow to the Credit Union Commission. Mrs. Morrow is the president of Harlingen Area Teachers Credit Union and a graduate from Texas A&M University. She is a board member of the United Way of Northern Cameron County and vice president of the board for the Boys and Girls Club of Harlingen as well as a volunteer with the Cameron County Fair and Livestock Show and Rio Grande Valley Livestock Show. Mrs. Morrow, whose term will expire February 15, 2013, replaces Rufino Carbajal, Jr., of El Paso, whose term expired.

REAPPOINTMENTS TO THE COMMISSION

Governor Perry announced the reappointment of Dale E. Kimble, president of Denton Area Teachers Credit Union and Thomas F. Butler, president of Butler and Company to the Credit Union Commission. Mr. Kimble and Mr. Butler's terms will expire on February 15, 2013.

NEW REGULATORY ALERT REGARDING REVISED SAR FORM

The National Credit Union Administration (NCUA) has sent Regulatory Alert, 07-RA-03, to all federally insured credit unions regarding the delay of the revised Suspicious Activity Report Form (SAR-DI), which was scheduled to be effective on June 30, 2007.

The Financial Crimes Enforcement Network (FinCEN) will establish a new effective and mandatory compliance dates for this form. This delay does not affect the Bank Secrecy Act

(BSA) filing requirements for suspicious activity reporting, and credit unions should continue using the current SAR form.

GOVERNOR URGES PREPARATION FOR HURRICANE SEASON

Governor Rick Perry is urging all Texans to be prepared for the 2007 hurricane season, which officially starts on June 1.

“I urge all Texans to be mindful of the dangers presented by hurricanes, to stay informed about current threats, and to take steps toward preparedness,” Governor Perry said. “While residents along the coast are among the first impacted by a hurricane, we must keep in mind that these massive storms can cause flooding and tornadoes hundreds of miles from the coastal areas where they make landfall.”

For more information about hurricane preparedness, please visit the Governor’s Division of Emergency Management website at www.txdps.state.tx.us/dem/.

TAKEOVER DEFENSE PROVISIONS FOR STATE CHARTERED CREDIT UNIONS

Several provisions in the Credit Union Act, the Rules for Credit Unions, and the Standard Bylaws for State Chartered Credit Unions offer defenses to unwanted takeover attempts. For example, credit unions can amend their bylaws (either the 1986 or 2004 bylaws) to divide the Board of Directors’ terms into three classes, with one class being elected each year for a three-year term (§5.01). This structure makes it impossible to replace a majority of the Board in less than two years.

In addition, §5.07(b) of the bylaws provides that the Board of Directors may remove a director only for cause, which prevents the circumvention of the staggered board structure. Only a supermajority of members (two-thirds, rather than a majority) can recall directors and at least 10% of the membership eligible to vote must participate in the recall vote (§5.07(c) of the bylaws, §91.501(f) of the rules), also complementing the staggered board structure.

Vacancies on the board can be filled only by the remaining directors, effectively limiting the members to electing directors at the annual meeting (§122.055(b) of the Act, §5.02 of the bylaws). This also limits the members’ ability to orchestrate a special membership meeting, recall directors, and elect new directors.

And finally, under §122.011(a) of the Act, the credit union’s articles of incorporation and bylaws can be amended only by a two-thirds vote of the directors present, subject to approval by the commissioner, preventing a member from altering the corporate governance of the credit union. This means that the number of directors can be changed only by the board, preventing a member from enlarging the board and filling it with sympathetic nominees. **(Note: both versions of the bylaws are inconsistent with the statute on this point, requiring only a majority of the board to amend the articles of incorporation and bylaws. The statute takes precedence.)**

BOARD MEETING ATTENDANCE

State regulations require the removal of any credit union director who fails to attend a required number of regular meetings of the board of directors. Commission Rule 91.501 specifically provides that a director's position becomes vacant when he/she fails to attend three consecutive regular meetings without due cause, or fails to attend six regular meetings within any 12 month period following the director's election or appointment. The rule further specifies that a new individual must be appointed to fill any vacancies occurring in this manner within 60 days, unless a longer timeframe is approved by the Commissioner. It should be noted that the rule does not allow a credit union's board to simply reappoint the same individual removed due to the excessive absences.

TREASURY REPORT: DIRECT DEPOSIT SAFER THAN CHECKS

Earlier this year, the U.S. Treasury Department released a survey showing large numbers of consumers mistakenly believe that paper checks are safer than direct deposit when, in fact, the opposite is true.

The Treasury said paper checks account for more than 90 percent of the reported problems with its federal benefit payments, such as stolen Social Security checks.

To learn more about the misconceptions and the facts about direct deposit, see press release at http://www.godirect.org/Media/news_2_28_07.cfm.

CREDIT UNION RANKINGS AND FINANCIAL TRENDS AS OF 12/31/06

The 2006 credit union rankings by assets and financial trends can be viewed on our website at <http://www.tcupd.state.tx.us/reports/index/html> or you can contact Isabel Velasquez for a printed copy.

APPLICATIONS APPROVED

Applications approved since April 30, 2007 include:

| <u>Credit Union</u> | <u>Changes or Groups Added</u> |
|--|--------------------------------|
| Field of Membership Changes Approved: | |
| Edinburg Teachers Credit Union (Edinburg) | See Newsletter No. 01-07 |
| Merger(s) or Consolidation(s) Changes Approved: | |
| GAF FCU with Neighborhood Credit Union | See Newsletter No. 03-07 |
| DNC FCU with EECU | See Newsletter No. 03-07 |

Charter Change(s) Approved:

Baylor Health Care Systems Credit Union (Dallas)

50 Years to Perpetuity

APPLICATIONS RECEIVED

The following applications were received and published in the May 25, 2007 issue of the *Texas Register*.

Field of Membership Expansion(s):

Smart Financial Credit Union (Houston) – To permit persons who live, work, or attend school in and businesses located in a designated underserved area of Harris County, Montgomery County, or Fort Bend County, Texas, to be eligible for membership in the credit union.

EDS Credit Union (Plano) – To permit persons who live, work, worship or attend school in the United States within a ten (10) mile radius of the EDS Credit Union branch located at 400 Renaissance Center, Detroit, Michigan 48243, to be eligible for membership in the credit union.

First Service Credit Union (Houston) – To permit employees of Deep Marine Technology Inc. who work in or are paid from Houston, 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.tcu.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.

Merger(s) or Consolidation(s):

An application was received from **South Texas Credit Union** (Kenedy) seeking approval to merge with **K C T A Federal Credit Union** (Kenedy). K C T A Federal Credit Union will be the surviving credit union.

An application was received from **America's Credit Union** (Garland) seeking approval to merge with **Imco Employees Credit Union** (Garland). America's 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 Texas Credit Union Department, 914 East Anderson Lane, Austin, Texas 78752-1699.

