
Credit Union Department



NEWSLETTER

No. 02-09

www.t cud.state.tx.us

February 28, 2009

COMMISSION ADOPTS RULES

At its meeting on February 11, 2009, the Commission adopted amendments to three of its rules and voted to repeal another rule. The amendments to 7 TAC §91.704 address real estate lending required policies and loan-to-value limits. 7 TAC §91.801 was changed to clarify the limits on the amount that may be invested in CUSOs. In response to a recommendation by the Sunset Commission, the Commission adopted new 7 TAC §91.121, which sets out additional complaint notice requirements. Finally, as a result of adopting this new rule, the Commission voted to repeal existing 7 TAC §97.106, concerning complaint notice.

In addition, the Commission readopted three rules: 7 TAC §97.103, Recusal or Disqualification of Commission Members, 7 TAC §97.105, Frequency of Examination, and 7 TAC §97.200, Employee Training Program. All new, amended, or proposed rules can be viewed on the Commission's website at http://www.t cud.state.tx.us/index.php?option=com_content&task=view&id=56&Itemid=157.

FORM 990: NEW Q&A ON WEBSITE, DEADLINE REMINDER

Many credit union employees attended the excellent training conducted by RSM McGladrey and sponsored by the Texas Credit Union League, and know how helpful it was. RSM McGladrey has provided the Department with some of the questions that were raised during and after the training and has supplied answers to those questions. The Q&A is on the Department's website and will be updated as new information becomes available.

For those credit unions that have chosen to be included in the consolidated group 990, this is a reminder that the Form 990 and any necessary schedules are due to the Department by **5:00 pm on Friday, March 6, 2009**. Check the Department's website for instructions on downloading the forms from the IRS website.

OTHER REAL ESTATE OWNED (OREO) PROPERTY

Credit unions are required to account for OREO in accordance with generally accepted accounting principles. In this respect, Statement of Financial Accounting Standards Numbers 15, 114, and 144 provide the general guidance for the recording of OREO. Sales of OREO are accounted for in accordance with Statement of Financial Accounting Standards Number 66. Statement of Financial Accounting Standards Number 67 provides guidance on the accounting for costs during the development and construction period, and Statement of Financial Accounting Standards Number 33 provides guidance on capitalization of interest costs.

Upon receipt of the real estate, OREO should be recorded at the fair value of the asset less the estimated cost to sell, and the loan account reduced for the remaining balance of the loan. This transfer of fair value, less the estimated cost to sell, results in a new cost basis for the OREO property. The amount by which the recorded investment in the loan exceeds the fair value (net of estimated cost to sell) of the OREO is charged to the Allowance for Loan and Lease Losses (ALLL).

Subsequent declines in the fair value of OREO below the new cost basis are recorded through the use of a valuation allowance. Changes in fair value must be determined on a property-by-property basis. An allowance allocated to one property may not be used to offset losses incurred on another property. Unallocated allowances are not acceptable. Subsequent increases in the fair value of a property may be used to reduce the allowance, but not below zero.

ANNUAL AUDIT REQUIREMENT

Each credit union's board of directors must obtain or cause to be performed an annual audit or supervisory committee review of the credit union to comply with the requirements of Commission Rule 91.516. The annual audit requirement is satisfied if an acceptable audit or supervisory committee review is completed once each calendar year. The Department considers the date the work was performed, rather than the effective date of the audit, when determining whether an audit was completed in a specific calendar year. If the effective date of an audit is more than 12 months from the previous audit, the credit union's officials must ensure that the consecutive calendar year requirement is met.

COMMISSION ELECTS VICE CHAIRMAN

The Credit Union Commission elected Thomas F. Butler to serve another term as its Vice Chairman. Mr. Butler is a resident of Deer Park and a member of the La Porte Chamber of Commerce and volunteers for Youth Victim Witness.

RULE REVIEW

The Department is currently reviewing and considering for re-adoption, revision, or repeal Rules **91.101** (Definitions and Interpretations), **91.103** (Public Notice of Department Activities), **91.104** (Notice of Applications), **91.105** (Applications for Authorization from the Commissioner), **91.110** (Protest Procedures for Applications), **91.115** (Safety at Unmanned Teller Machines), **91.120** (Posting of Notice Regarding Certain Loan Agreements), **91.125** (Accuracy of Advertising), **91.201** (Incorporation Procedures), **91.202** (Form of Bylaws; Amendments to Articles of Incorporation and Bylaws), **91.205** (Use of Credit Union Name), **91.206**, (Underserved Area Credit Unions – Secondary Capital Accounts), **91.209** (Reports and

Charges for Late Filing), **91.210** (Foreign Credit Unions), **91.1003** (Mergers/Consolidations), **91.1005** (Conversion to a Texas Credit Union), **91.1006** (Conversions to a Federal or Out-of-State Credit Unions), **91.1007** (Conversion to a Mutual Savings Institution), **91.1008** (Conversion Voting Procedures and Restrictions; Filing Requirements), **91.1110** (Share and Deposit Guaranty Requirements), **91.3001** (Opportunity to Submit Comments on Certain Applications), and **91.3002** (Conduct of Meetings to Receive Comments). 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 for the Department. In addition, the Department invites 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?

Written comments regarding these rules should be received no later than **March 31, 2009**. Any comments should be sent to Credit Union Department, 914 East Anderson Lane, Austin, Texas, 78752-1699 or by e-mail to info@tcud.state.tx.us.

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.

Published In	Deadline for Receipt
March, 2009	Friday, March 13
April, 2009	Friday, April 10

APPLICATIONS APPROVED

Applications approved since January 31, 2009 include:

Credit Union	Changes or Groups Added
Field of Membership Change(s) Approved:	
Unity One Credit Union (Fort Worth)	See Newsletter No. 11-08
First Service Credit Union (Houston)	See Newsletter No. 12-08
Merger(s) or Consolidation(s) Approved:	
Island Teachers FCU with Associated Credit Union of Texas	See Newsletter No. 10-08

Rusk County Teachers FCU with East Texas Professional CU See Newsletter No. 11-08
Workforce Credit Union with Tarrant County Credit Union See Newsletter No. 11-08

Articles of Incorporation Change(s) Withdrawn:

Corpus Christi City Employees Credit Union (Corpus Christi) See Newsletter No. 01-09

APPLICATIONS RECEIVED

The following applications were received and published in the February 27, 2009 issue of the *Texas Register*:

Field of Membership Expansion(s):

First Service Credit Union (Houston) – To permit employees of Holiday Inn & Suites – Houston Medical Center, 6800 Main Street, Houston, Texas 77030, 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.

