

Quarterly Newsletter

# THE CREDIT UNION REFLECTION



## Highlights

- ☛ New Look for [The Credit Union Reflection](#)
- ☛ Bureau Enjoined From Enforcing Prepayment Penalty Limits
- ☛ Select Employee Group Update

## Inside

- ☛ Year 2000
- ☛ SCC Service Awards
- ☛ Tribute to Dorothy J. Hall

# NEW LOOK FOR THE CREDIT UNION REFLECTION

At the beginning of 1998 Virginia state-chartered credit unions found the first colorful, slick copy of [The Credit Union Reflection](#) in their mailboxes. This quarterly newsletter has kept credit unions and interested parties advised of notes and information from the Bureau. In particular we have spent 1999 getting ready for Year 2000, and [The Credit Union Reflection](#) has played its role in that effort.

In a concerted effort to maximize use of the Internet, Commissioner of Financial Institutions E. J. Face, Jr., has directed Bureau employees to use e-mail wherever possible for bulletins, newsletters, and other less formal types of correspondence. With this fast, efficient method of communication the Bureau intends to join and to take advantage of the growing e-commerce industry.

[The Credit Union Reflection](#) will be e-mailed to you, but it is also available on the Bureau's website, along with the Weekly Information Bulletin and various forms needed for filing applications with the Bureau. If your credit union received this copy of [The Credit Union Reflection](#) by the U.S. Post Office mail system, and you have an Internet e-mail address, please take a minute right now to e-mail it to George Latham or Jeanette Sanders at their e-mail address under "Important Numbers" listed on the last page of this newsletter.

# **BUREAU ENJOINED FROM ENFORCING PREPAYMENT PENALTY LIMITS**

The National Home Equity Mortgage Association (NHEMA) filed suit June 1, 1999, in the United States District Court for the Eastern District of Virginia against Commissioner of Financial Institutions E. Joseph Face, Jr. and Deputy Commissioner for Consumer Finance Susan E. Hancock. NHEMA sought an injunction against the Bureau because it had cited and considered penalizing mortgage lenders for charging a pre-payment penalty in excess of that permitted by Virginia law (Code Section 6.1-330.83).

NHEMA contended that the Bureau's position was preempted by a federal law, the Alternative Mortgage Transaction Parity Act of 1982 (AMTPA), as implemented by regulations of the Office of Thrift Supervision. NHEMA contended the alleged pre-emption reached "alternative mortgage transactions" under the federal law made by "housing creditors."

NHEMA purports to be the "largest national trade association focusing primarily upon the home equity lending market," with a membership that includes "banks, mortgage lending corporations, secured equity lenders, law firms, title insurers, consulting firms, and appraisal services corporations." Some NHEMA members are licensed by the Bureau to conduct mortgage lending in Virginia, and also qualify as "housing creditors" under the AMTPA.

On September 10, 1999 the Court granted NHEMA's motion for summary judgment, and denied the Bureau's and the Virginia Attorney General's motions for summary judgment. The Court also permanently enjoined the Bureau from enforcing its announced position: that the AMTPA did not preempt Virginia state law limiting prepayment penalties on alternative mortgage transactions.

The Bureau has appealed the District Court's decision to the Fourth Circuit Court of Appeals. Charging excessive pre-payment penalties has been labeled by some consumer advocates as "a predatory lending" practice. The State Corporation Commission and the Virginia Attorney General take the position that the state law rights of Virginia consumers should be defended. NHEMA's website is <http://www.nhema.org>.

**SELECT EMPLOYEE GROUP UPDATE**

Since the new credit union common bond statute became effective July 1, 1999, the Bureau has been accepting credit union requests to add select employee groups (SEGs) to their field of membership. A "Request for Field of Membership Expansion" form was developed for credit unions to file for each SEG. The first few requests that were filed were not accepted because some required documentation was missing or incomplete. However, the six credit unions that filed request forms during the quarter ended September 30, 1999 did a better job as the quarter progressed. Notice of each request filed was published in the Bureau's Weekly Information Bulletin for a 15 day comment period. None of the requests has resulted in a public comment or request for a hearing.

Twenty SEG requests were received and published during the quarter. Thirteen were approved, and five were still in the comment period at quarter end while two other requests were withdrawn. The average size of the 20 SEGs was 277 employees, but one SEG of 2,000 employees skewed the average upward. The average size of the other 19 SEGs was 188, with a range in size from 750 down to 8 employees.

The number of SEG expansion requests to date has been lower than anticipated. New requests should be handled efficiently now that the industry and the Bureau are becoming accustomed to the routine. More than 4,900 Virginians have been approved as potential new credit union members.



After much effort to eliminate Y2K bugs and to prepare for the century date change event, the time is nearly here. With much confidence that all problems have been resolved, most folks who have been involved in the process wish it were over with already!

However, there is some final planning that must be done. Business Resumption Plans must be tested. Appropriate levels of liquidity must be developed. Member awareness campaigns should continue. The Bureau will also survey credit unions during November to complete a FFIEC "health checklist." This federally mandated form will determine the Y2K status of all financial institutions and assign simple "green," "yellow," or "red" codes. Additionally the Bureau will contact credit unions early in December to gather phone numbers of key people at credit unions, as well as other means of contacting them. On January 1, 2000 your

credit union's key person will be contacted by a Bureau Credit Union examiner to determine if any Y2K problems have been encountered. A list of key questions will be asked to determine if computer functions and reports developed after midnight December 31, 1999 are normal and reasonable. We will work with your credit union to resolve any problems as quickly and efficiently as possible.

The Bureau thanks all credit unions for their cooperation in Year 2000 readiness. A lot of effort has been expended by credit unions, and the goal has almost been reached. But credit unions should not relax. Continue to prepare for the millennium change until you are sure on January 1 that your efforts have been successful.

## SCC SERVICE AWARDS



The State Corporation Commissioner annually recognizes its employees who have served the Commission for 5, 10, 15, 20, 25, 30 or more years. These employees are entertained in a ceremony presided over by the three judges of the Commission. The employees receive a service award pin and an appreciative handshake from the judges, and perhaps they are reminded of a personal anecdote or reminiscence--all in good humor. A reception concludes the event which promotes esprit de corps amongst employees.



This year about 40 of the SCC's 600 employees were honored. One employee received a 40 year service pin. In the credit union section of the Bureau three employees received service pins: George H. Latham, Deputy Commissioner, 25 years; Steve Pemberton, Principal Financial Institutions Analyst, 25 years; and Jeanette Sanders, Principal Office Technician, 20 years.

***Congratulations to these loyal employees!***

### **A NOTE FROM COMMISSIONER E. J. FACE, JR.** **A TRIBUTE TO DOROTHY J. HALL**

On behalf of all of us at the Bureau of Financial Institutions and State Corporation Commission, I offer our best to Mrs. Hall as she enters retirement. As we all know, Mrs. Hall's achievements and accomplishments are numerous and outstanding. Her leadership of the Virginia Credit Union, Inc. clearly deserves recognition, and her record sets a very high standard for all of us to follow.

Since 1979, when I began my career as a Savings and Loan and Credit Union Examiner with the Bureau, the Virginia Credit Union, Inc., (previously called State Employees Credit Union, Inc.) has grown from about \$18 million to more than \$619 million. I can still remember the first time I participated in an examination of the credit union, and I will never forget how she made me--a young, "green," nervous examiner--feel welcome by simply saying "Please call me Dot, everyone here calls me Dot." Perhaps that summarizes Mrs. Hall's ingredient for success in a nutshell, if it is possible to do so. If anything, Mrs. Hall has proven that "nice guys" don't finish last, they finish first!

I don't think anyone would argue that the single most important ingredient in the growth of the credit union has been Mrs. Hall. Her efforts in improving the range and quality of services provided to the credit union's members, together with the effectiveness of the "credit union message" she carried to the public, has been an inspiration to her Board, the staff of the Credit Union and, perhaps most important of all, to the membership of the credit union.

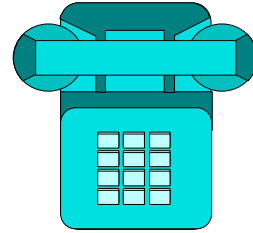
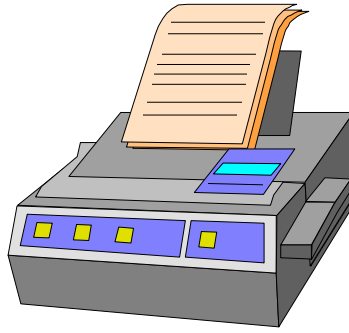
I cannot overstate our respect and admiration for Mrs. Hall's accomplishment in transforming a small, localized organization into a progressive financial institution able to provide services to its members in effective competition with much larger, more powerful financial institutions. I know because my father, a local Richmond banker for thirty-two years, spoke very highly of Mrs. Hall and her abilities.

Mrs. Hall has earned the recognition and respect of all in the financial industry as well as the regulatory community (and some say it is impossible to earn anything from regulators).

***Happy Retirement,  
Dot!***



**FAX**  
**804-371-9416**



## **“Important Numbers”**

George H. Latham, Deputy Commissioner..... 804-371-9698

Internet e-mail: [glatham@scc.state.va.us](mailto:glatham@scc.state.va.us)

Jeanette J. Sanders, Principal Office Technician .....804-371-9267

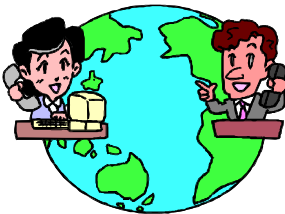
Internet e-mail: [jsanders@scc.state.va.us](mailto:jsanders@scc.state.va.us)

Nicholas C. Kyrus, Deputy Commissioner .....804-371-9690

Corporate Structure and Research

Internet e-mail: [nkyrus@scc.state.va.us](mailto:nkyrus@scc.state.va.us)

(applications or notices for mergers, relocations, name changes, and branch openings and closings)



**CONTACT US AT OUR WEBSITE**

[www.state.va.us/scc](http://www.state.va.us/scc) **division/banking**

COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION  
BUREAU OF FINANCIAL INSTITUTIONS  
POST OFFICE BOX 640  
RICHMOND VA 23218-0640

**IMPORTANT  
INFORMATION  
INSIDE**