

September, 2017

Dear CU PolicyPro Client,

Our next round of policy updates, which includes Policy 9200 – Home Mortgage Disclosure Act (HMDA), will be sent to our users in the next couple of weeks! As a reminder, the new HMDA policy will be revised to comply with the changes effective on January 1, 2018. Therefore, although we encourage credit unions to begin customizing this policy and getting it in front of their Boards for proper approval, it should not be adopted until the effective date!

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Monthly OPS Notes Release: Member Expulsion Policies

Recently, we have been asked by a few different credit unions about our Member Expulsion Policies. We have received some really great feedback, so please also look for these revisions in the next update.

Because of the difference between state and federal charters in this topic, we wanted to try to address the differences so your credit union can adopt the appropriate policy.

Federally Chartered Credit Unions

Federally chartered credit unions are governed under the [Federal Credit Union Act](#). Section 1764 provides details on the process for “Expulsion and Withdrawal” of a member, which indicates:

- a. A member may be expelled by a two-thirds vote of the members of a FCU present at a special meeting called for this purpose, but only after the opportunity has been given for the member to be heard; OR
- b. The Board of Directors of a FCU may adopt and enforce a policy with respect to expulsion from membership based on **nonparticipation** by a member in the affairs of the credit union. In establishing its policy, the Board should consider a member’s failure to vote in annual credit union elections or failure to purchase shares from, obtain a loan from, or lend to the FCU. If such a policy is adopted, written notice of the policy as adopted (including the effective date) shall be mailed to each member of the credit union at the members’ current address, not less than thirty-days prior to the effective date of such policy. In addition, each new member shall be provided written notice of any such policy prior to or upon applying for membership.

Therefore, if you have a member that displays abusive behavior, the only way to terminate membership is through a special meeting with the membership. However, without going through that process, FCUs have the option to limit or suspend services for abusive members, as long as certain criteria and policies are in place. FCU's are encouraged to reference [Legal Opinion 08-0431](#) and [Legal Opinion 91-0119](#) for more information.

State Chartered Credit Unions

State Chartered Credit Unions are governed under their local state Acts. State provisions vary tremendously; some are very flexible in allowing the termination of membership for fraud or abuse, while others may not.

Because of the drastic differences in how membership can be terminated based on the credit union's charter and state, we are amending our policies and encouraging credit unions to properly research their local law to ensure compliance.

Applicable Policies

Policy 2232 – This policy is being revised to address situations in which Federal Credit Unions can expel members (special meeting of membership or nonparticipation). Although this policy only indicates expulsion based on loss (through a special meeting), Credit Unions are encouraged to customize their policy accordingly, if they allow for termination of membership for other reasons.

Policy 2235 – This policy is being revised to address situations of member abuse. This policy should be customized by the credit union to limit services, expel members, or both. Federal credit unions that wish to expel members who are abusive would be required to go through the process of holding a special meeting of the membership. Therefore, the policy is geared towards limiting services for Federal Charters, although the last section for Board Meetings can be further customized if necessary.

Content FAQ

Question: Our federal credit union has made the decision to hold a special board meeting in order to expel members who have caused the credit union a loss or have been abusive to staff. What policy should we adopt?

Answer: If your credit union doesn't have plans to "limit services" and wants to move forward with terminating membership, we would encourage you to adopt Policy 2232 and add the criteria of "abuse" to the Guidelines in this policy, in addition to expulsion based on loss. For example, you could create Guideline #2 under "Expulsion Based on Loss" to indicate "Expulsion Based on Abuse." The notification provision, failure to respond and special meeting would all be sub-bullets under those two Guidelines.

Technical FAQ

Question: Why does the text in my policy appear very tiny when I print it?

Answer: When text in a printed policy prints very small (but shows normally on screen), there is usually content in the policy that is too wide for the page, and the text is automatically resizing (shrinking) in order to fit everything on one page. Sometimes it is not easy to detect what piece of content is causing the issue.

The two most common causes:

1. There is a table in the policy that is too wide to fit on the page (usually copied in from Excel).
2. There is a series of spaces causing the issue - sometimes when content is pasted as plain text from Word, columns or tab stops are brought in as a series of spaces.

