

FOCUS e-newsletter: Consulting  
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### **Reducing Member Complaints**

*This is the first of two articles on areas of frequent member complaints against credit unions.*

Credit unions have a reputation of providing higher levels of customer service to their members than other financial institutions. Still, members do complain about credit union service.

The majority of member complaints stem from the member not knowing or understanding the regulations, policies, or laws under which their credit union operate. In NCUA's experience, the credit union usually complies with its policies, but the member often does not understand the policy or procedure.

Following are areas often misunderstood by members:


**Statutory lien and cross collateralization rights of the credit union.** Members often claim their credit union illegally froze an account, withheld title, or repossessed a vehicle. The Federal Credit Union Act and NCUA Rules and Regulations (12 CFR § 701.39) permit a federal credit union to exercise a statutory lien against funds in a member's account to satisfy an outstanding amount owed to the credit union. Members don't always understand that a *cross-collateralization* clause in a Security Agreement means that the collateral for one loan may also collateralize his/her other loans with the credit union.

To help, at the time a loan is made, the credit union should call attention to and explain any lien and cross-collateralization clauses. Also advise them that automobile repossession laws vary from state to state, and, as a matter of state law, are outside the purview of the NCUA.

**Statutory holds on checks.** Members frequently complain that their credit union holds third-party checks too long before making the funds available. Even long-time, loyal members get upset when their credit union does not make funds available as quickly as they'd like or need. The Expedited Funds Availability Act (EFA or EFAA) standardizes the use of holds and hold periods on deposits made to financial institutions.

Although there are exceptions made to check hold limits, credit unions should do better in disseminating their check hold policies to members. For example, credit unions should educate their members that:

- a. \$200 of the deposit must be made available the first business day following the deposit and \$5,000 (aggregate of all checks to one account) available the second business day following the deposit. The remainder should be made available the seventh day following the initial deposit.

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- b. A seven business day hold may be placed if the credit union has reason to doubt the check is good, if the paying bank indicates the check will not clear, if it is suspected to be fraudulent, if it is either postdated or stale, if the item being deposited is a legal copy of an item previously returned for NSF, or if the item is accepted for deposit during a power outage or computer failure.
  - c. A nine business day hold may be placed if the deposit account has been open less than 30 days, if the account has been overdrawn for six or more business days of the previous six months (NSF Hold), and if the account has been overdrawn for two or more business days in excess of \$5,000 in the previous six months (NSF Hold).

To help eliminate such confusion, and possibly reduce the number of complaints, credit unions should help increase member awareness of its policies, procedures, and a few of the most pertinent regulations affecting consumers.

**The next article in this series will focus on member complaints regarding the Servicemembers Civil Relief Act (SCRA), the Privacy Act, and the Supervisory Committee's responsibilities. OSCUI's Consultants may be able to assist your credit union with operational issues, email us at [oscuiConsulting@ncua.gov](mailto:oscuiConsulting@ncua.gov).**