

**STATE OF CALIFORNIA**

**DEPARTMENT OF BUSINESS OVERSIGHT**

In the Matter of	)	
	)	
EAGLE CREDIT UNION,	)	
	)	FINAL ORDER
Respondent.	)	Financial Code § 580
_____	)	

Pursuant to § 580 of the Financial Code, the Commissioner of Business Oversight of the State of California (Commissioner) orders as follows:

1. (a) Respondent shall retain management and maintain a Board of Directors (Board) acceptable to the Commissioner. Such management shall include, at a minimum, a person (or persons) capable of adequately performing the functions of a chief executive officer, a chief financial officer, and a senior lending officer. Such person (or persons) shall be qualified to restore Respondent to a sound condition, operate Respondent in a safe and sound manner, comply with the provisions of this Order, and comply with applicable laws and regulations. The chief executive officer shall have proven ability to manage a credit union of comparable size and experience in developing sound credit administration and credit underwriting practices and procedures, improving earnings, and other matters needing particular attention. The chief financial officer (CFO), or the CFO's designee, shall have the appropriate accounting and credit union operations skills that are necessary to resolve Respondent's accounting and internal control issues. The senior lending officer shall have significant experience in lending, collection, and loan supervision. Each member of management shall be provided appropriate written authority from the Board to implement the provisions of this Order.

(b) Without limiting the generality of the foregoing, the Commissioner reserves the right to determine whether present members of management of Respondent are acceptable.

(c) Respondent shall notify the Commissioner and the National Credit Union Administration Regional Director (Regional Director) within 30 days after adding, electing or appointing any member to its Board or committees.

(d) Respondent shall not employ senior management officers, without the prior written approval of the Commissioner and the Regional Director.

2. Within sixty (60) days of the date of this Order, Respondent shall develop and implement a formalized process for evaluating Respondent's senior management personnel, to include the accounting manager and the operations manager. Respondent shall provide a written evaluation of management's performance at least annually, and maintain a copy of the evaluation in the personnel file. Respondent shall document the review of management's competencies in the executive Board meeting minutes. Such process and its implementation shall be satisfactory to the Commissioner and Regional Director as determined at subsequent examinations and/or visitations.

3. (a) Within thirty (30) days of the date of this Order, Respondent shall commence, and within sixty (60) days of the date of this Order, Respondent shall have completed corrective actions to address all accounting and internal control deficiencies identified in the examinations dated December 31, 2013 and June 30, 2013 and the CPA audit as of September 30, 2013. Respondent shall assess management's qualifications to adequately resolve these deficiencies and ensure that the management team includes persons with the requisite qualifications to perform the required corrections and accounting procedures on an ongoing basis. Such actions shall be in a form and manner satisfactory to the Commissioner and Regional Director as determined at subsequent examinations and/or visitations.

(b) Within thirty (30) days Respondent shall develop a reconciliation matrix to assure adequate oversight and adherence to the general ledger account reconciliation policy and procedures. The matrix shall be updated as the reconciliations are completed, and shall include the following key information:

- Listing and Description of General Ledger Account Schedule Reconciliations
- Frequency: Daily, Weekly, Monthly
- Due Date and Actual Completion Date

- Responsibility: Preparer, Reviewer, Approver
- Summary of Outstanding Reconciling Items, Actions Taken, and Expected Resolution Date
- Matrix Updates and Final Sign-off

4. (a) Within thirty (30) days of the date of this Order, Respondent shall establish a monitoring committee, consisting of at least one Board member and one supervisory committee member, to monitor on an ongoing basis the corrective actions taken to resolve the accounting and internal control deficiencies noted in 3(a) and 3(b), above.

(b) The monitoring committee, created pursuant to 4(a), shall report monthly to the Board all progress made regarding the corrective action taken by management to resolve the accounting and internal controls deficiencies, until those deficiencies have been corrected.

5. Within sixty (60) days of the date of this Order, Respondent shall develop, adopt, and submit a revised strategic plan and budget, documenting specific actions to be taken, the assumptions made, and the timeframes necessary to achieve positive earnings and net worth trends by year-end 2014. Documentation shall, minimally, include the following:

- Loan growth by type and interest rate,
- Increased quality control to ensure the loan growth is consistent with current policy and the credit union's loss reserves,
- Anticipated provisions for loan loss expense,
- Reduced operating expenses by amount and category,
- Efforts to reduce expenses related to the Lodi building,
- Fee income by type and amount,
- Specific quarterly performance benchmarks, minimally to include ROA, operating expenses and net worth, and

- Contingency plans in the event the above goals are not met, including trigger points for specific actions.

6. Within thirty (30) days after the date of this Order and within twenty-five (25) days after the end of each month thereafter, Respondent shall furnish a written progress report to the Commissioner. The report shall set forth the following in detail:

- (a) Actions taken to comply with each section of this Order;
- (b) The results of those actions;
- (c) A description of actions remaining to be accomplished in order to achieve full compliance of each section of this Order; and
- (d) Financial statements, Board minutes, and delinquency schedules with the allowance for loan loss calculation.

This Order is effective immediately and supersedes and replaces the Order dated February 6, 2012. Violation of any provision of this Order may be deemed to be conducting business in an unsafe manner, and may subject Respondent to further regulatory enforcement action. The Commissioner reserves the right to amend, revoke or rescind this Order in whole or in part. All reports and other documents required to be submitted to the Commissioner by this Order shall be encrypted and sent by secure email or as an attachment to a secure email in an electronic format compatible with DBO's electronic system to the following email address:

cuexam.responses@dbo.ca.gov.

Dated: June 16, 2014.

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Jan Lynn Owen  
Commissioner of Business Oversight