

STATE OF CALIFORNIA

DEPARTMENT OF FINANCIAL INSTITUTIONS

In the Matter of)
)
 LITHUANIAN CREDIT UNION) FINAL ORDER
) Financial Code § 580
)
)
 _____)

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

1. (a) Lithuanian Credit Union (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 person(s) performing the duties of the chief executive officer, by whatever title, 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 in the business of the credit union. The person(s) performing the duties of the chief financial officer, by whatever title, shall have appropriate accounting and credit union operations skills. The person performing the duties of the senior lending officer, by whatever title, shall have significant experience in lending, collection, and loan supervision. Management shall be provided appropriate written authority from the Board to implement the provisions of this Order.

(b) Within sixty (60) days from the effective date of this Order, Respondent shall replace the current Chief Executive Officer/Chief Financial Officer/Senior Lending Officer, who is not considered acceptable by the Commissioner.

(c) Respondent shall not add, elect or appoint any member to its Board or committees, or otherwise employ senior management officers, without the prior written approval of the Commissioner.

(d) Within sixty (60) days from the effective date of this Order, Respondent's Supervisory Committee shall, pursuant to Financial Code § 14550, elect or appoint a third member to the Supervisory Committee. Such member shall serve until the next annual meeting of the shareholders.

(e) No business operation, other than Respondent's business of a credit union, shall be conducted or located on Respondent's premises.

(f) No director, officer, or employee shall participate in any lending decision in which such director, officer, or employee receives a direct or indirect benefit.

(g) Respondent shall make no payments to, or on behalf of, a director, officer, or employee for benefits, services or any other purpose beyond a director's, officer's, or employee's salary or wage as of the date of this Order that have not been approved by the Board and properly documented.

(h) Respondent shall immediately cease making any direct or indirect payments to any director, officer, or employee beyond such person's salary or wage as of the date of this Order, without the prior written consent of the Commissioner.

(i) Respondent shall not increase the salary or wages of any director, officer or employee, without the prior written consent of the Commissioner.

(j) Respondent shall provide the Commissioner notification at least seven (7) business days prior to incurring or paying any expense in excess of \$500 or entering any contractual obligation in excess of \$500. After said seven (7) business day period, Respondent may complete the subject transaction if the Commissioner has not interposed an objection to the transaction.

(k) Respondent shall file with the Commissioner an audit report in accordance with the requirements of FC § 14252(b) within one-hundred five (105) days from the date of this Order.

(l) Within thirty (30) days from the date of this Order, Respondent shall request an opinion from the CUNA Mutual Group whether or not the fidelity bond covering the Chief Executive Officer/Chief Financial Officer/Senior Lending Officer will be continued or cancelled.

2. If Respondent enters into a plan of merger, which is acceptable to the Commissioner, that is effected within sixty (60) days from the date of this Order and completed within one-hundred twenty (120) days from the date of this Order, with a merger partner who is acceptable to the Commissioner, provisions 1 (a), (b), (c) and (d), above, and provisions 3, 5, and 6 below will not be enforced by the Commissioner during that one-hundred twenty (120) day period.

3. Within thirty (30) days from the effective date of this Order, Respondent shall develop or revise, adopt, and implement a policy for the operation of the Respondent in such a manner as to provide adequate internal routine and control policies and procedures consistent with safe and sound credit union practices. This policy shall address the procedures to be followed by the Supervisory Committee considered necessary for it to adequately fulfill its responsibilities to the Respondent consistent with the NCUA Supervisory Committee Guide and the Report of Examination, dated September 30, 2012 (ROE). Such policy and its implementation shall be satisfactory to the Commissioner as determined at subsequent examinations and/or visitations.

4. (a) Within thirty (30) days of the date of this Order, Respondent shall develop and implement an appropriate Allowance for Loan Loss (ALL) methodology that complies with Generally Accepted Accounting Principles and the ROE. The ALL methodology shall be in a form and manner acceptable to the Commissioner as determined at subsequent examinations and/or visitations.

(b) Immediately, Respondent shall fully fund the ALL in a manner consistent with the revised ALL methodology and in compliance with the ROE and § 30.402 of the California Code of Regulations.

5. Within thirty (30) days of the date of this Order, Respondent shall develop or revise, adopt, and implement loan policies and procedures governing, among other things:

- (a) The Maximum Loan Amount to Collateral Value ratio,
- (b) The acceptable types of compensating factors used to approve loans that would not otherwise qualify for approval, and
- (c) Establish maximum aggregate limits for each category of high risk loans and maximum limit for each individual loan.

Such policy and its implementation shall be satisfactory to the Commissioner as determined at subsequent examinations and/or visitations.

6. (a) Within thirty (30) days of the date of this Order, Respondent shall develop or revise, adopt, and implement loan collection policies and procedures.

(b) Within thirty (30) days of the date of this Order, Respondent shall implement a system to ensure the adequate documentation of all contacts with delinquent members that includes the maintenance of a collection card for each delinquent account.

Such policy and its implementation shall be satisfactory to the Commissioner as determined at subsequent examinations and/or visitations.

7. Within thirty (30) days of the date of this Order, Respondent shall take all actions necessary to have its Internal Revenue Code § 501(c)(14) tax exempt status reinstated. Within (20) days after the end of each month, Respondent shall furnish a written progress report to the Commissioner on the actions actually taken and the status of its efforts to reinstate its federal tax exempt status.

8. Within thirty (30) days of the date of this Order and within twenty (20) days after the end of each month thereafter, Respondent shall furnish a written progress report to the Commissioner and the Regional Director. The report shall set forth the following 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 with each section of this Order; and
- (d) Financial statements, Board minutes, and delinquency and other real estate owned asset schedules.

9. This Order is effective immediately. This Order supersedes and replaces that Final Order dated December 2, 2010. Violation of any provision of this Order will be deemed to be conducting business in an unsafe manner, and will subject Respondent to further regulatory enforcement action. The Commissioner reserves the right to amend (in accordance with Financial Code § 14304), 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 the Department of Financial Institutions' electronic system to the following email address:
CUExam.Responses@dfi.ca.gov.

Dated: March 28, 2013.

/s/
TEVEIA R. BARNES
Commissioner of Financial Institutions