STATE OF CALIFORNIA

DEPARTMENT OF BUSINESS OVERSIGHT

In the Matter of EVANGELICAL CHRISTIAN CREDIT UNION, Respondent	))))))	CONSENT ORDER Financial Code Section 580

Evangelical Christian Credit Union (Respondent), by and through its duly elected and acting Board of Directors (Board), has executed a "Waiver and Consent" to the Issuance of an Order under Financial Code Section 580, dated August 26, 2014, that is accepted by the Department of Business Oversight (DBO). Through its waiver, Respondent has consented, without admitting or denying any charges of unsafe or unsound credit union practices, to the issuance of this Final Order (Order) by DBO.

Therefore, pursuant to Section 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 acceptable to the Commissioner. Respondent's management shall include, at a minimum, a chief executive officer, a chief financial officer, and a senior lending officer qualified to restore Respondent to a sound condition, operate Respondent in a safe 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 shall have appropriate accounting and credit union operations skills. 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 the present members of Respondent's management, Board, or supervising committee are acceptable.

(c) Respondent shall not add, elect, re-elect, nominate for election, or appoint anyone to the Board, any of its committees or as its credit manager, or hire any senior management officers (vice president and above), without the prior written approval of the Commissioner.

2. No chief executive officer/president, any assistant chief executive officer (e.g., any assistant president, any vice president, any assistant treasurer/manager) or chief financial officer shall receive any bonus, profit sharing, raise in salary, or any other additional remuneration without the written consent of the DBO. This includes changes in or increased funding of any retirement plan for subject officers, such as a 457 plan. This does not void contractually committed remunerations entered into prior to April 1, 2013. Additionally, no golden parachutes or indemnification payments shall be entered into with or made to an institution-affiliated party (IAP).

3. No new contracts or renewal of employment contracts shall be entered into without the prior written consent of the DBO. No new or amended employment or consultant contract, of any amount, or any other contract that will cost the Respondent more than one-hundred thousand dollars ($100,000), over the life of the subject contract, shall be entered into without the prior written consent of the Commissioner. Excluded from this provision are all contracts relating to the management, leasing, and sale of Other Real Estate Owned (OREO), the sale of distressed assets, member loans, loan participations, and the Respondent's bond coverage.

4. By October 20, 2014, Respondent shall revise and submit to the Commissioner and the NCUA a Strategic Plan (Plan) for review. Subsequent to such review, but no later than October 31, 2014, the Board shall adopt and implement the Plan.

a) The Board shall revise and implement the Plan to include strategies that will reduce volatility based on Net Economic Value (NEV) analysis utilizing December 31, 2013 ALM First assumptions, maintaining non-maturing share deposits at 50% of reported effective maturities, and with the latest approved independent market valuations available. The Plan shall address how management will bring NEV back into policy compliance.

b) The Plan shall achieve shocked NEV ratios (in a plus 300 basis point shock) of not less than:

2.00% at December 31, 2014;
4.00% at December 31, 2015; and
6.00% at December 31, 2016.

c) The Plan shall address how the Board and management will restructure Respondent's balance sheet in order to bring interest rate and liquidity risk exposure levels to within risk tolerances acceptable to the Board, DBO, and the NCUA.

d) The Plan shall have specific quarterly benchmarks and action plans to:

i) Systematically reduce MBL concentration, to meet both the targets in Item 4b, above, and Item 9, below;
ii) Develop and implement consumer loan products to diversify credit risk;
iii) Reduce reliance on uninsured deposits in accordance with the targets detailed in Item 7, below;
iv) Reduce interest rate risk and establish quarterly shocked NEV ratio benchmarks;
v) Ensure acceptable on-balance sheet liquidity aligning with plans and projections;
vi) Establish goals to achieve net worth growth commensurate with balance sheet and operational risk; and
vii) Ensure operating expenses are no more than listed in the current January 29, 2014 strategic plan, or less if needed to achieve shocked NEV ratio targets.

5. a) Within forty-five (45) days of each quarter-end, Respondent shall provide DBO and the NCUA quarterly monitoring reports that address Respondent's progress in achieving the Plan's targets. Subject report shall also include the documented corrective action plans and timeframes to address any missed targets or goal deficiencies.

b) Respondent shall document the corrective action plans and implement those action steps that will result in Respondent's compliance with the Plan with the expected timeframes for such implementation.

c) Actions taken must have the Respondent in compliance with the Plan's targets during the next calendar quarter. All benchmarks must be achieved irrespective of changes in interest rates and credit values. Specifically, the:

i) Respondent shall use the same assumptions as those in the ALM First model.

ii) Management shall use the ALM First December 31, 2013 NEV model assumptions using non-maturing share deposits at 50%, apart from updated independent market valuations that resulted in a December 31, 2013 base NEV ratio of -0.51 percent and a +300 bps shocked NEV ratio of -1.81 percent.

iii) Management shall update market loan valuations at least annually, at year-end, using an independent 3rd party approved by DBO and the NCUA.

iv) Any model assumption changes or vendor changes must be approved by the NCUA and DBO.

6. a) By September 30, 2014 and by December 31 and June 30 of subsequent years, Respondent shall validate and implement the ProfitStar Asset/Liability Management model,. ensure that all users are trained for their roles in inputting or interpreting the ProfitStar assumptions and results, and shall document all the assumptions to be used in the model. At a minimum, the following assumptions and the rationale supporting them, should be adequately documented:

i. The discount rates being used on assets and liabilities;

ii. Rate increase coefficient (rate sensitivity factors for dividends);

iii. Prepayments being used on asset accounts; and

iv. Maturities or decay rates being used on non-maturity shares.

b) Respondent shall ensure that a qualified third party, as approved by the DBO and the NCUA, evaluates the model for reasonableness as well as the assumptions used in the ProfitStar model.

7. Respondent shall reduce its reliance on uninsured and institutional share deposits pursuant to the following table (in Thousands):

Uninsured Shares	March 31	June 30	September 30	December 31
2014	$259,521	$249,742	$235,553	$221,365
2015	$211,365	$201,365	$191,365	$181,365
2016	$168,865	$156,365	$143,865	$131,365
2017	$118,865	$106,365	$93,865	$81,365

Because of seasonality of shares, Respondent may not achieve each quarterly target; however, for any quarterly target missed, management is expected to achieve the target by the following quarter end. Management needs to incorporate the quarter-end targets into the Revised Strategic Plan (Revised Plan) to ensure alignment. The Revised Plan also needs to establish targets for natural person share deposit growth to provide for improved stable liquidity.

8. Respondent shall confirm and monitor the availability of existing lines of credit and continue to seek additional sources of off – balance sheet liquidity for contingency purposes.

9. Respondent shall reduce the total member business loan concentration to no more than 65 percent of assets, excluding loan interests sold on a non-recourse basis, by December 31, 2017. Specific concentration percentages must be met by the following dates:

a) By June 30, 2015, no more than 75 percent of assets.

b) By December 31, 2016, no more than 70 percent of assets.

c) By December 31, 2017, no more than 65 percent of assets.

A variance of no more than 3 percent of assets will be accepted, in the case of an unplanned asset decline, if member business loan dollars did not increase in the current quarter.

10. By August 31, 2014, and, unless otherwise indicated, within twenty (20) 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 detail:

(a) Actions taken to comply with each section of this Consent 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 Consent Order; and

(d) Financial statements, Board minutes, and delinquency and other real estate owned asset schedules.

This Consent Order is effective immediately. Violation of this Consent Order will subject Respondent to further regulatory enforcement action not inconsistent with the terms hereof. The Commissioner reserves the right to amend, revoke or rescind this Consent Order in whole or in part, not inconsistent with the terms hereof. All reports and other documents required to be submitted to the Commissioner by this Consent 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 Business Oversight' electronic system to the following email address: CUExam.Responses@DBO.ca.gov.

Dated: September 2, 2014.

JAN LYNN OWEN
Commissioner of Business Oversight