

STATE OF CALIFORNIA

DEPARTMENT OF BUSINESS OVERSIGHT

In the Matter of)	
)	
SAN DIEGO METROPOLITAN)	FINAL ORDER
CREDIT UNION,)	(Financial Code Section 580)
Respondent)	
)	
_____)	

San Diego Metropolitan Credit Union (Respondent) having consented to the issuance of this order (Order) and waived notice and a hearing by executing the Waiver and Consent, May 1, 2014, the Commissioner of Business Oversight of the State of California (Commissioner), pursuant to Financial Code Section 580, hereby orders that:

1. Respondent shall retain management and a Board of Directors (Board) acceptable to the Commissioner. Such management shall include, at a minimum, a chief executive officer, a chief financial officer, and a senior lending officer (collectively referred to as the “executive officers”), 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 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.

Without limiting the generality of the foregoing, the Commissioner reserves the right to determine whether present members of Respondent's management will be deemed acceptable.

2. Within thirty (30) days of the date of this Order, the Respondent shall develop, adopt and implement a plan to materially reduce the risk in its Troubled Debt Restructures (TDR) portfolio and fully document and support that the member has the ability to repay on future TDRs.

3. Within sixty (60) days of the date of this Order, Respondent shall develop and implement an Interest Rate Reduction (IRR) Plan which, at a minimum, shall include:

- (a) lowering concentration limits in relation to net worth for mortgage related loans and investments to 600 percent or lower by December 31, 2014, and to 500 percent or lower by the December 31, 2015. The plan must include specific actions and timelines for reducing the concentration level, as well as contingent actions when quarterly goals are not met.
- (b) back-testing of highly rated sensitive balance sheet accounts to provide assurance that the model is operating as intended and to provide insight of risk mitigation strategies.

4. 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 to the Regional Director. Reports shall be filed at cuexamresponses@dbo.ca.gov . 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 with each section of this Order.
- (d) Financial statements, minutes of the meetings of the Board, and delinquency and other real estate owned asset schedules.

This Order is effective immediately. Respondent may be deemed to be conducting its business in an unsafe and unsound manner if it violates or fails to comply with any provision of this Order, which may subject Respondent to further regulatory enforcement action. The Commissioner may at any time modify, rescind, supplement or suspend this Order in whole or in part, subject to any right Respondent may have to notice and a hearing under FC 580.

Dated: May 13, 2014

/s/ Jan Lynn Owen

JAN LYNN OWEN
Commissioner of Business Oversight