

**STATE OF CALIFORNIA**

**DEPARTMENT OF BUSINESS OVERSIGHT**

In the Matter of: )  
 )  
JONES METHODIST CHURCH CREDIT UNION, )  
 )  
 )  
Respondent. )  
\_\_\_\_\_ )

FINAL ORDER  
(Financial Code section 580)

The Department of Business Oversight (Department) regulates and licenses credit unions pursuant to the California Credit Union Law (Fin. Code, § 14000 et seq.) Jones Methodist Church Credit Union (Respondent) is licensed by the Department pursuant to that law.

Respondent, by and through its duly elected Board of Directors (Board), has executed a Waiver and Consent to the issuance of this order under Financial Code section 580 (Order), dated August 22, 2018, that has been accepted by the Commissioner of Business Oversight (Commissioner).

Based upon concerns relating to unsafe or unsound practices as detailed in the December 31, 2017 Report of Examination, and having determined that the requirements for issuance of an Order pursuant to Financial Code section 580 have been satisfied, the Commissioner orders:

1. Within 30 days of the date of this Order, Respondent shall hold and document monthly board meetings as required by its bylaws.
2. Within 30 days of the date of this Order, Respondent shall establish a comprehensive succession plan that identifies a chain of command and responsibilities in the event of an expected or unexpected absence of the credit union manager, board chair, and supervisory committee chair. This plan should identify training that will be provided to ensure the ability of replacements.
3. Within 30 days of the date of this Order, Respondent shall:
  - (a) Develop a list of suitable merger partners as a contingency plan;

- (b) Develop timelines that state at what point management will contact stated partners, complete an onsite due diligence review and begin the merger process.
4. Within 30 days of the date of this Order, Respondent shall update the 2018 business plan as follows:
- (a) Develop key ratio goals for the following: (i) net worth; (ii) return on average assets, (iii) operating expenses to gross income, (iv) total loans to total shares, and (v) other key ratios the board determines to show unfavorable trends;
  - (b) Ensure key ratios align with the 2018 budget;
  - (c) Develop action plans to achieve key ratio goals;
  - (d) Assign an individual responsible and an estimated timeframe for completion of each action plan.
  - (e) Document in monthly board minutes, discussions on progress toward reaching goals, amendments to current plans, and new action plans.
5. Within 30 days of the date of this Order, Respondent shall update the 2018 budget as follows:
- (a) Amend the 2018 budget to align with the quantitative goals stated in your 2018 business plan;
  - (b) Document budget assumptions for all balance sheet and income statement line items;
  - (c) Develop “what-if” scenarios for loan and share growth, and document the impact to earnings if growth goals are not met;
  - (d) Develop a long-term budget to project when net income will break even.
6. Within 30 days of the date of this Order, Respondent shall develop and document a contingency plan that identifies additional actions the board will take in the event budget projections are not met.

7. Within 30 days of the date of this Order, Respondent shall post member and investment transactions on a weekly basis.
8. Within 30 days of the date of this Order, Respondent shall:
  - (a) Complete an independent OFAC audit;
  - (b) Perform an OFAC check on new members at the time of account opening and document the results of the OFAC check
  - (c) Document OFAC check procedures on new members to ensure all volunteers know how to conduct OFAC checks;
  - (d) Document BSA/OFAC training provided to officials and credit union volunteers;
  - (e) Document the date and signature of officials and credit union volunteers who attended BSA/OFAC training.
9. Within 30 days of the date of this Order, Respondent shall:
  - (a) Conduct bi-weekly FinCEN 314(a) scrubs within 14 days of receiving the FinCEN file;
  - (b) Print and document the following: (i) FinCEN's email notification of files ready for download and review, (ii) the results of FedComp's scan of the files, and (iii) a FinCEN scrub log including the date of download and the initials of the reviewer.
10. Within 30 days of the date of this Order, Respondent shall address asset liability management as follows:
  - (a) Control share growth;
  - (b) Manage the high concentration of shares in one member's account;
  - (c) Monitor and maintain adequate liquidity for potential share withdrawals with consideration to the high concentration of shares with one member;
  - (d) Monitor, document and manage interest rate risk and liquidity risk;

- (e) Document the Board of Directors' analysis of the impact to the credit union's financial condition prior to approval of dividends and financial incentives;
- (f) Document approval of any dividends and financial incentives in the Board minutes;
- (g) Project the effect that proposed new investments may have on interest rate risk and liquidity risk.

10. Within 30 days of the date of this Order, Respondent shall submit to the Commissioner a detailed plan to address all unresolved examination findings from the December 2017 examination.

11. Within 30 days of the date of this Order, Respondent shall and within 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 in detail:

- (a) Actions taken to comply with each section of this Order;
- (b) The results of those actions; and,
- (c) A description of actions remaining to be accomplished to achieve full compliance of each section of this Order.

This Order is effective immediately. Violation of any provision of this Order will be deemed to be conducting business in an unsafe manner and will subject the Respondent to further regulatory enforcement action. The Commissioner reserves the right to amend, revoke or rescind this Order, in whole or in part.

Dated: August 30, 2018.

\_\_\_\_\_/s/\_\_\_\_\_  
JAN LYNN OWEN  
Commissioner of Business Oversight