

BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT
OF THE STATE OF CALIFORNIA

In the Matter of)

EVANGELICAL CHRISTIAN CREDIT)
UNION)

ORDER
(Fin. Code, § 580)

This Order supersedes the Commissioner of Business Oversight’s (Commissioner) Order dated July 15, 2016. Pursuant to Financial Code section 580, the Commissioner orders:

1. (a) The Commissioner reserves the right to determine whether Evangelical Christian Credit Union’s (Respondent) management, Board, and Supervisory Committee are acceptable.

(b) Without limiting the generality of the preceding subsection, Respondent will submit in writing to the National Credit Union Administration (NCUA) and the Department of Business Oversight (Department) for approval at least 30 days prior to the proposed effective date or election at an annual membership meeting, any proposed change of a board member, committee member, or senior executive staff. This includes a change in the responsibilities of an existing employee to a position of senior executive officer.

2. Respondent shall implement and maintain a high-risk asset reduction plan that achieves a reduction of total on-book unpaid balance for loans risk rated internally by Respondent as 5/special mention or worse, to the lesser of 50 percent of Respondent’s net worth or \$30,000,000 by December 31, 2022. Respondent shall establish and submit interim annual milestone targets, by percentage and dollar amount, for December 31, 2020 and December 31, 2021. Such targets must be submitted and received by the Department by January 10, 2021.

1 Respondent must include in the first quarter 2021 and first quarter 2022 reports required in
2 paragraph 5 information specifying Respondent’s progress in meeting these interim targets.

3 3. (a) Respondent will reduce its balance sheet’s reliance on high-cost funding sources
4 while maintaining adequate liquidity.

5 (b) Without limiting the generality of the preceding subsection, the Respondent shall:

6 (i) Reduce the ratio of certificates of deposits owned by other credit unions
7 (CU Certificates) to total deposits to no greater than 10 percent by December 31, 2022. Respondent
8 shall establish and submit interim annual milestone targets for December 31, 2020 and December 31,
9 2021. Such targets must be submitted and received by the Department by January 10, 2021.

10 Respondent must include in the first quarter 2021 and first quarter 2022 reports required in
11 paragraph 5 information specifying Respondent’s progress in meeting these interim targets.

12 (ii) Reduce the uninsured shares to total deposits ratio to no greater than 18
13 percent by December 31, 2022. Respondent shall establish interim annual milestone targets for
14 December 31, 2020 and December 31, 2021. Such targets must be submitted and received by the
15 Department by January 10, 2021. Respondent must include in the first quarter 2021 and first
16 quarter 2022 reports required in paragraph 5 information specifying Respondent’s progress in
17 meeting these interim targets.

18 (iii) Continuously maintain the Cost of Funds to Average Assets Ratio (listed in
19 Respondent’s Financial Performance Report) to equal to or less than 1.05 percent; and

20 (iv) Maintain the current unencumbered cash and short-term investments
21 (C&STI) to total assets policy floor of 10 percent of total assets. For purposes of this provision,
22 “cash” means cash on hand and cash on deposit. In addition, “short-term investments” means
23 investments with a remaining maturity of one year or less, as listed in Respondent’s most recent
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1 5300 Call Report. Any proposal to reduce the C&STI floor must receive the concurrence of the
2 Department and the NCUA before Respondent enacts any changes.

3 4. (a) Respondent shall move away from its present overreliance on donations as a
4 source of repayment for the majority of its loans, to a balanced and diversified portfolio of
5 consumer and member business loans, by diversifying its member composition through
6 consumer member acquisition and small business member acquisition.
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8 (b) Without limiting the generality of the preceding subsection, Respondent's
9 loan portfolio composition must meet the following percentage limitations by no later than
10 December 31, 2022:

- 11 (i) consumer loans to total assets are equal to or greater than 20 percent;
- 12 (ii) non-profit member business loans (those payable from donation revenue)
13 to total assets are equal to or less than 38 percent; and
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- 15 (iii) for-profit member business loans to total assets are equal to or greater
16 than 12 percent.
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- 18 (iv) Respondent shall establish interim annual milestone targets for December
19 31, 2020 and December 31, 2021. Such targets must be submitted and received by the Department
20 by January 10, 2021. Respondent must include in the first quarter 2021 and first quarter 2022
21 reports required in paragraph 5 information specifying Respondent's progress in meeting these
22 interim targets.
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24 5. Within forty-five (45) days from the end of the first quarter immediately following the
25 effective date of this Order and within forty-five (45) days from the end of each quarter thereafter,
26 Respondent shall furnish a written progress report to the Commissioner and the NCUA detailing the
27 actions taken to secure compliance with this Order and the results of those actions. Respondent shall
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