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BEFORE THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION
OF THE STATE OF CALIFORNIA

In the Matter of)
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CABRILLO CREDIT UNION)
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ORDER
(Fin. Code, § 580)

The order issued by the Commissioner of Business Oversight (now the Commissioner of Financial Protection and Innovation) on July 1, 2020 (“July 1, 2020 Order”) remains in full force and effect. To the extent there is a conflict or inconsistency between the requirements of this Order and the July 1, 2020 Order, the requirements of this Order shall supersede the July 1, 2020 Order.

Pursuant to Financial Code section 580, the Commissioner of Financial Protection and Innovation (“Commissioner”) orders that:

1. On or before March 31, 2021:
 - (a) Cabrillo Credit Union (“Respondent”) shall implement the CEO Succession Plan approved by Respondent’s Board of Directors (“Board”) effective June 24, 2020.
 - (b) Respondent shall hire and retain a chief executive officer, chief lending officer, and chief financial officer acceptable to the Commissioner and the Regional Director of the National Credit Union Administration (“NCUA”).
 - i. The chief executive officer shall have proven ability to manage a credit union of a size and complexity comparable to Respondent, and have appropriate experience in developing sound credit administration and credit underwriting practices and procedures, improving earnings, and addressing Respondent’s other identified weaknesses and deficiencies.
 - ii. The chief lending officer shall have significant experience in lending, loan supervision, and collections, and an understanding of compliance and consumer

1 protection laws and regulations, to address and correct the numerous violations and
2 practices identified by the consumer compliance and lending audit.

3 iii. The chief financial officer shall have appropriate accounting and credit union
4 financial and operations skills to provide accurate recording of financial transactions
5 relevant to the financial condition of the credit union.

6 (c) Each officer shall be provided with appropriate written authority by the Board to
7 implement the provisions of this Order related to such officer.

8 (d) The Commissioner reserves the right to determine whether the present members of
9 Respondent’s management and the members of the Board are acceptable.

10 (e) Respondent shall not add, remove, elect, or appoint any member to the Board or its
11 supervisory committee, including incumbents, or employ, remove, or change the
12 responsibilities of any senior management officers (vice president and above), without
13 receiving the prior written approval of the Commissioner and the Regional Director of
14 the NCUA.

15 2. (a) Effective the date of this Order, Respondent shall cease approving corporate card
16 expenses or personal expense reimbursements that include non-credit union business
17 related expenses.

18 (b) On or before January 31, 2021, Respondent shall develop a process to review all
19 corporate credit card expenses prior to approval.

20 (c) On or before January 31, 2021, Respondent shall collect any monies paid to and/or on
21 behalf of volunteers identified in the Report of Examination dated October 30, 2020 as
22 violations of California Code of Regulations, title 10, section 30.307 and Financial
23 Code section 14410, subdivision (b).

24 3. On or before January 31, 2021:

25 (a) Respondent shall engage a qualified third party to complete a full general ledger review
26 to resolve all out-of-balance conditions and to ensure all entries are properly classified.

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- 1 (b) Respondent shall engage qualified personnel to manage the accounting department and
2 ensure all accounting practices comply with Generally Accepted Accounting Principles
3 and are reported timely and accurately.
- 4 4. On or before January 31, 2021:
- 5 (a) Respondent shall provide to the Commissioner and the Regional Director of the NCUA
6 a written response to the consumer compliance and lending audit that addresses the
7 extent and severity of exceptions and the Board's commitment to resolving these
8 concerns.
- 9 (b) Respondent shall develop and implement a written plan for corrective actions on all
10 consumer compliance and lending audit findings on a flow basis.
- 11 (c) Respondent shall revise lending policies, procedures, and processes as necessary based
12 on audit findings.
- 13 5. On or before January 31, 2021, Respondent shall complete a comprehensive analysis of the
14 2020 budget compared to actual performance that assesses where changes need to be made to
15 successfully plan for 2021.
- 16 6. Effective the date of this Order, Respondent shall provide the Board a summary report of
17 the status of all outstanding internal and third-party audit findings at each Board meeting. The Board
18 shall be responsible for actions necessary to correct any outstanding audit findings.
- 19 7. Effective the date of this Order, Respondent shall ensure that a quality control process is
20 applied to review all existing and new executives' and officials' loans and shares for policy and
21 regulatory compliance.
- 22 8. Respondent shall comply with all remaining items in the Report of Examination dated
23 October 30, 2020 by or before their respective deadlines.
- 24 9. Respondent's Board shall adopt a resolution directing its personnel to take the necessary
25 corrective action to comply with the provisions of this Order.
- 26 10. Within one month of the date of this Order, and each month thereafter, Respondent shall
27 provide written progress reports to the Commissioner and the NCUA detailing the form of any
28 actions taken to secure compliance with this Order, the results of those actions, and any supporting

1 documentation. Respondent shall furnish the written progress reports until instructed otherwise in
2 writing by the Commissioner and the NCUA.

3 This Order is effective immediately. Violation of any provision of this Order may be deemed to
4 be conducting business in an unsafe manner and may subject Respondent to further enforcement
5 action. The Commissioner reserves the right to amend, revoke or rescind this Order in whole or in
6 part. All reports and other documents required by this Order to be submitted to the Commissioner
7 shall be encrypted and sent by secure email or as an attachment to a secure email in an electronic
8 format compatible with the Department of Financial Protection & Innovation’s electronic system to
9 the following email address: cuexam.responses@dfpi.ca.gov.

10 Dated: December 22, 2020

MANUEL P. ALVAREZ
COMMISSIONER OF FINANCIAL PROTECTION
AND INNOVATION

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13 By: _____ /s/
14 EDGAR GILL
15 SENIOR DEPUTY COMMISSIONER
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