

# THE CREDIT UNION REFLECTION

## Highlights

- \* Commissioner Face Signs National Credit Union Agreement
- \* Commending Sidney A. Bailey

## Inside

- \* Year 2000 Update
- \* Commission rules on VBA Petition
- \* Important Telephone Numbers



## COMMISSIONER FACE SIGNS NATIONAL CREDIT UNION AGREEMENT

Commissioner E. J. Face, Jr. was in Portland, Oregon in March to sign the “Nationwide Cooperative Agreement for the Supervision of State Chartered Credit Unions in a Multi-State Environment.” This agreement facilitates branching by state chartered credit unions into other states. Since federal credit unions are already empowered to branch nationwide, this state agreement bolsters the dual chartering system by making branching more equitable for the nation’s state chartered credit unions. Most states already have branching statutes based on reciprocity, but the agreement now provides “seamless” regulation and supervision of branching by focusing on cooperation.

This agreement was developed by the National Association of State Chartered Credit Union Supervisors (NASCUS). The Virginia General Assembly in its recent session passed legislation that will be effective July 1, 1998, and which provides the Commissioner of Financial Institutions to sign cooperative documents like the NASCUS agreement. Currently there are no Virginia state chartered credit unions with branches in other states, but there are three out-of-state credit unions operating branches in Virginia.

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**FORMER COMMISSIONER OF THE BUREAU OF FINANCIAL INSTITUTIONS  
SIDNEY A. BAILEY IS COMMENDED FOR HIS SERVICE TO THE  
COMMONWEALTH BY THE 1998 GENERAL ASSEMBLY**

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The Following is a copy of SENATE JOINT RESOLUTION NO. 150 Commending Sidney A. Bailey, which was agreed to by the Senate on January 29, 1998 and by the House of Delegates on February 6, 1998:

WHEREAS, Sidney A. Bailey, the head of Virginia's Bureau of Financial Institutions, retired following 20 years at the helm of the agency that oversees the operation of the Commonwealth's banks; and

WHEREAS, Sidney Bailey joined the Bureau of Financial Institutions after a 19-year career with the federal Office of the Comptroller of the Currency, a unit of the Treasury Department that regulates banks with national charters; and

WHEREAS, clearly well qualified, Sidney Bailey has rendered distinguished service to the Commonwealth for two decades, during which banking institutions were severely buffeted by the savings and loan crises of the 1980s; and

WHEREAS, Sidney Bailey's greatest challenge during his tenure was dealing with the impact of the collapse of the thrift system and with the public confusion over the differences between commercial banks and savings and loan institutions; and

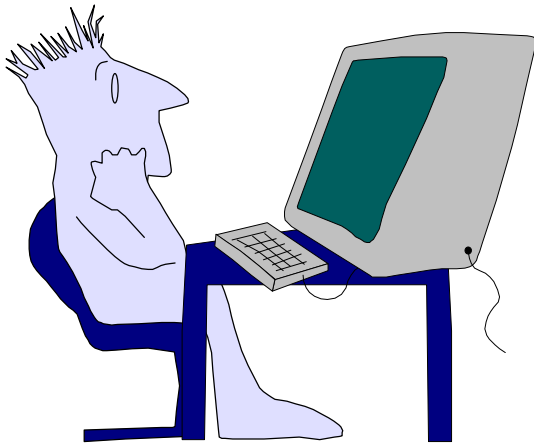
WHEREAS, that Virginia escaped relatively unscathed from a national crisis is due in part to the skills and dedication of Sidney Bailey, who coped with the impending crisis with calm professionalism; and

WHEREAS, throughout a distinguished 40-year career in the arcane world of banking regulation, Sidney Bailey has served with great competence the citizens of the Commonwealth and the nation; now, therefore, be it

RESOLVED by the Senate, the House of Delegates concurring, That the General Assembly commends Sidney A. Bailey on the completion of an exemplary career of public service; and, be it

RESOLVED FURTHER, That the Clerk of the Senate prepare a copy of this resolution for presentation to Sidney A. Bailey as an expression of the General Assembly's gratitude for his years of service to the Commonwealth.

**YEAR 2000  
UPDATE**



The Bureau is well into the process of ensuring that all credit unions will have their computer and other date-driven systems ready for January 1, 2000. While some credit unions apparently are still procrastinating, the credit union section of the Bureau has set a goal of having all Virginia state chartered credit unions Year 2000 compliant by the end of 1998.

With the first quarter of 1998 just completed, credit unions filed the second in a series of “Year 2000 Quarterly Credit Union Reports.” Bureau personnel reviewed these reports for accuracy, and follow up with credit unions to verify information. Credit union management at this point should have identified a staff person to be in charge of Year 2000 compliance. A written plan describing the process your credit union will take to become compliant should be on file. Most vendors should be completing the process of rewriting programs and testing the new systems. Credit unions will need to do their own testing under controlled circumstances.

In addition, the Federal Financial Institutions Examination Council (FFIEC) recently released guidelines requiring testing to begin by September 1, 1998. FFIEC describes testing as the “most critical phase” of Year 2000 compliance. The Bureau is represented on FFIEC through its affiliation with national associations, and will follow the FFIEC guidelines to encourage credit unions to plan and test for compliance.

Obviously, this is an extremely important issue, as further evidenced by the attention it has received from the United States Congress. Therefore, every credit union director or manager must address Year 2000 compliance by putting the issue on the front burner.



## **SCC's Web Page**

Have you visited the State Corporation Commission's web page??? Visitors can view SCC news releases, selected SCC orders of general public interest, and the bi-weekly Calendar of Cases, as well as information about the SCC and its Commissioners, how to contact or visit the SCC, and links to SCC division pages. Contact the Commission's web page at [www.state.va.us/scc](http://www.state.va.us/scc). Let us know what you think!!!



## COMMISSION RULES ON VBA PETITION

The long awaited decision on the Virginia Banker's Association petition by the State Corporation Commission was made on April 3, 1998. In August, 1997 the VBA requested the SCC to issue an order preventing credit unions from expanding their fields of membership by adding small employee groups (SEGs), or by allowing membership based on geographical or community definitions.

Following the advice of Commission General Counsel, former Commissioner of Financial Institutions Sidney A. Bailey in October, 1996 decided that there would be no further field of membership expansions by SEGs. In the spring of 1997 Commissioner Bailey again took the advice of General Counsel and decided there would be no granting of new geographic or community fields of membership. These were Bureau policy decisions that the VBA sought to strengthen by legal order entered by the Commission in its role as an appellate court.

While affirming the Bureau's position on SEGs, the April 3 order concludes that the language of Virginia's common bond statute does not preclude geographic, political subdivision, or community common bonds. Such common bonds do need to be reasonably established by factual evidence. Existing fields of membership, including SEGs may be retained, and new members may be added from those fields of membership.

Commissioner E. J. Face, Jr., subsequently stated that the "wild card" statute in the Virginia Credit Union Act could possibly be used if federal legislation is enacted that allows federally chartered credit unions to again expand by adding SEGs. The "wild card" statute provides the Commissioner with the authority to issue regulations that enable state chartered credit unions to have powers similar to the powers federally chartered credit unions have. Commissioner Face stated he would issue such a regulation to ensure that state chartered credit unions are not disadvantaged and would have parity with federally chartered credit unions.



## MAIL



Again, let me hear from you about your ideas to make "The Credit Union Reflection" helpful to you. And, as always, I welcome your questions, which I try to answer, to clarify, and to help you understand. Suggestions and comments concerning the newsletter or its contents should be addressed to the Bureau or via-e-mail at:

**[jsanders.scc@state.va.us](mailto:jsanders.scc@state.va.us)**



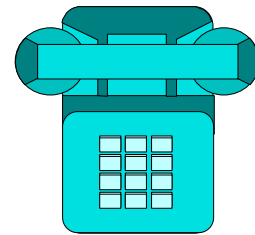
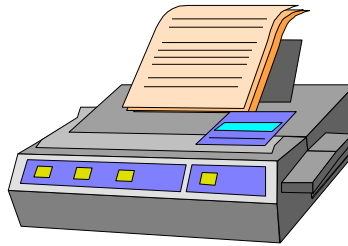
**DEPUTY COMMISSIONER LATHAM'S NOTES:**

NINETEEN NINETY-EIGHT has been an eventful year so far. The United States Supreme Court ruled against credit unions in a landmark case involving field of membership. But credit unions won the next fray with nearly unanimous the passage of H.R.1151, the credit union membership Access Act, by the U. S. House of Representatives. Now the U. S. Senate is the focus of attention. Most observers agree that the Senators are favorably inclined to pass credit union membership access. However there are big stumbling blocks along the way as proposed amendments include some things called “prompt corrective action” and “community reinvestment act” requirements.

Virginia state-chartered credit unions have been following these events with a keen eye, looking for favorable trends that might affect them. The Commission’s ruling did not change state-chartered credit union’s ability to add SEGs. But the possibility of expansion by defining a geographic or community common bond has raised some interest. Don’t hesitate to call me if you’re thinking about a geographic common bond. The Bureau is willing to listen to your definition and plans and will try to accommodate if possible.

**“Important Numbers”**

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**804-371-9416**



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**CONTACT US AT OUR WEBSITE [www.state.va.us/scc](http://www.state.va.us/scc)**



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**IMPORTANT  
INFORMATION  
INSIDE**