

THE CREDIT UNION REFLECTION



Highlights

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WERNER PAUL PROMOTED

Werner Paul was recently promoted to Principal Financial Institution Analyst, the highest level for examiners within the Bureau. His duties in this new position actually recognize what he has done for the Bureau for some time now. In addition to continued examination responsibilities, Mr. Paul is responsible for technical computer support for the Credit Union Section. He has also been assigned the designation of Problem Case Officer, and as such will perform on-going review of the financial condition of CAMEL 4 and 5 rated credit unions or other troubled credit unions. He will work with these credit unions to help restore them to healthy operations. These duties are different from, but no less important than, those of our other Principal Financial Institution Analysts, who primarily review examination reports for accuracy and quality.



Mr. Paul came to the Bureau at the beginning of 1994 as an examiner. He had about 15 years previous experience as a credit union manager, and had served as a consultant to both the NCUA and the Bureau running credit unions in conservatorship or under supervisory agreements. With this background, Mr. Paul has been intimately involved for the past 18 months in the Bureau's conservatorship of The Nansemond CU in Suffolk. That credit union's condition has improved considerably as the Bureau has worked with staff management to

restore the credit union's health. The Bureau plans to turn ownership back over to the membership in the first quarter of 2001.

Mr. Paul has also established himself over the years as a computer "guru" of sorts. The rest of the staff of the Credit Union Section has come to rely heavily on him to troubleshoot problems and to offer advice on computer issues. He coordinates and integrates credit union computer activities with the rest of the Bureau and its computer specialist, and he has served on Bureau and Commission technology committees. He can be given most of the credit for working with credit unions to ensure their regulatory Y2K compliance last year.

It is clear that Mr. Paul has demonstrated a great aptitude with his knowledge and experience to address some vital needs of a regulatory agency. The Bureau has thus recognized him as a valuable employee with this promotion.



The Acts of the 2000 General Assembly became effective July 1, 2000. A supplement containing the 2000 enactments of the General Assembly affecting financial institution-related laws is now available on the Bureau website at:

www.state.va.us/scc/division/banking/newlaws.htm

SELECT EMPLOYEE GROUP UPDATE

During the second quarter of 2000 the Bureau approved 11 small employee groups (SEGs) to be added to the fields of membership of three credit unions. Five additional Request for Field of Membership Expansion forms were filed and outstanding as of the quarter end. Two requests involving community fields of membership were withdrawn for lack of enough evidence to support the requests. One request was denied, but was approved in the third quarter after additional evidence was submitted. All the requests were published in the Bureau's Weekly Information Bulletin

(<http://www.state.va.us/scc/division/banking/weekly.htm>) and were subject to a 15 day comment period. Only the community field of membership expansion requests received comment as banks expressed objections.

A total of 1,696 new potential credit union members were approved during the quarter. The average group size for the second quarter was about 154, up from 128 in the first quarter. Since legislation to permit SEG expansion went into effective July 1, 1999 9,229 new potential credit union members have been approved for Virginia state-chartered credit unions.

Talking about Community Fields of Membership.....

The Commissioner and his staff have met with credit unions wishing to convert or expand to a community field of membership. All have been given the same counsel and advice as to what the Bureau expects before their application can be approved in compliance with the law.

Section 6.1-225.23 B prescribes one type of field of membership to be "Those persons or organizations within a well-defined local community, neighborhood or rural district." The Commission is to determine "in its discretion" what constitutes a well-defined local community, neighborhood or rural district. To assist in making this determination the Commission must also "give consideration" to NCUA guidelines on community fields of membership. The Bureau believes the law requires a review of NCUA guidelines, but the Bureau in its discretion is not required to adopt those guidelines literally, word-for-word. NCUA's guidelines are of necessity "all things to all people" because NCUA regulates federal credit unions in all 50 states. The Bureau is focused on communities in our Commonwealth. An urban area is most likely quite different from a rural area, and as such different supporting evidence will be necessary.

There are two aspects of the statute that must be addressed. First, the community must be well-defined. Political jurisdictions like cities or counties have boundaries. Other purely geographic boundaries can also be determined. A zip code has geographic boundaries. An inner-city area may be identified by the streets that bound it.

Second, the community must be local. The local character is very important because it must be demonstrated that those individuals in the community interact with each other on a regular basis. Commonly used shopping hubs for a substantial number of the community members may establish the existence of a community. Shared services could also be used to show interaction on a regular basis. Commonly shared hospitals, educational institutions, and airports may help to establish a community. While a listing of shared services, institutions, and shopping facilities is a starting point, the Bureau will need to see other like criteria with underlying numbers and facts that substantiate that significant numbers of people in the community regularly use them. The larger the defined community the more difficult this point may be to prove.

The question must always be answered, "what does this person at the far end of the community have in common with someone else at the opposite end of the community?"

The Bureau is obligated to determine that sufficient evidence exists to establish a community definition. It is incumbent on a credit union to provide the evidence, as the Bureau cannot make assumptions.

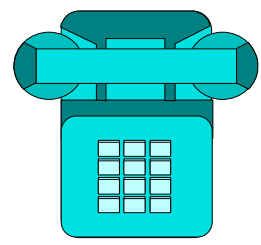
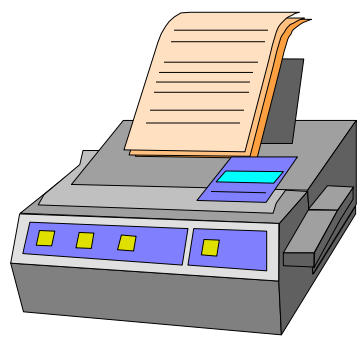
PLEASE OBSERVE THESE HOLIDAYS

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CLOSED**

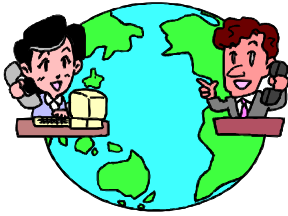


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