

# THE CREDIT UNION REFLECTION



## Highlights

- ☛ Commission Issues Order approving Reserve Regulation

## Inside

- ☛ Regulatory Alert
- ☛ Where's my Exam Report?
- ☛ Field of Membership Changes
- ☛ Credit Union Mergers and Conservations

## COMMISSION ISSUES ORDER APPROVING RESERVE REGULATION



By Order entered December 5, 2001 the State Corporation Commission (SCC) adopted Regulation 10 VAC 5-40-30, Regular Reserve Accounts. To view the Order, visit <http://www.state.va.us/scc/caseinfo/banking/b010204.htm>.

This SCC Regulation provides parity to state-chartered credit unions with federal credit unions regarding the required reserve transfers that they must make. **Specifically, Virginia state-chartered credit unions are no longer required to make transfers to their Regular Reserve account unless they are required to do so by Part 702, Prompt Corrective Action (PCA), of NCUA's Rules and Regulations.** Credit unions with a net worth ratio greater than 7.0% are defined as "well capitalized." The NCUA Regulation only requires a federally insured credit union to make a reserve transfer if its net worth ratio is less than 7.0%, or "under capitalized." The PCA required reserve transfer is 1/10<sup>th</sup> of one percent of the credit union's total assets for the current quarter, and the transfer is to be made quarterly until the credit union is "well capitalized."

The SCC Regulation is effective December 15, 2001. **Therefore, well-capitalized credit unions will not have to make reserve transfers for the fourth quarter of 2001.** However, reserve transfers may still be required by Section 6.1-225.58 of the Code of Virginia for previous periods through the third quarter of 2001.

## **REGULATORY ALERT**



President Bush issued an Executive Order in September targeting terrorists. New names have been added to the Office of Foreign Assets Control's (OFAC) Specially Designated Nationals List. The assets of these individuals must be blocked, and immediate notice must be given to OFAC. All financial institutions, including credit unions, are to block or "freeze" property and payment of any funds transferred, or transactions involving blocked countries or individuals, and immediate notice must be given to OFAC. Credit unions should call OFAC's hotline if they have any questions. For further information and details see OFAC's web site at: [www.treas.gov/ofac](http://www.treas.gov/ofac). If you have questions, call OFAC compliance at 1-800-540-6322.

For additional information, credit unions can also visit [www.ncua.gov](http://www.ncua.gov) to review NCUA's Regulatory Alert No. 01-RA-10 and 01-RA-12, as well as NCUA Letter to Credit Unions No. 01-CU-18. Credit unions that do not have web site access or an established e-mail address should complete the Credit Union Notification Form and fax it to (703) 519-4080 so the credit union can receive updates on the lists.

OFAC penalties are for each violation of a transaction, and can be either Civil Penalties or Criminal Penalties. A violation can be for an individual or a corporation. Fines can be as high as \$1,000,000 and 12 years imprisonment. Therefore, every credit union should establish policies and procedures to ensure that the credit union receives all OFAC list updates and complies with this order.



## WHERE'S MY EXAM REPORT?

For the first time the Bureau recently sent a credit union its Report of Examination by e-mail. Initial reaction from credit unions receiving the report this way has been "great!" If this process proves to be successful and without significant problems the Bureau plans to send all Reports of Examination to credit unions by e-mail as long as this option is available.

The Bureau has been experiencing a slow turnaround time between completing on-site examination work and sending the final report back to the credit union. Electronic exam reports shorten the time frame a little, and of course save the costs of paper and postage. The Bureau has also initiated a different review process that is designed to further shorten the turnaround time frame.

One of the concerns with electronic transmission of examination reports is security. The Bureau is using a password system that should alleviate this concern. When a credit union's examination is completed the board Chairman/President or his/her assignee will be given a password. The password will be needed to open the report transmission file when the e-mailed report is received by the credit union. The file will also be in a ".pdf" format to prevent changes. This format means that credit unions will need Adobe Acrobat Reader to open the exam report file. Acrobat Reader is easily downloaded from the Internet.

As this process is inaugurated, the Bureau looks forward to comments from credit unions. Improvements will be implemented based on suggestions and as seen necessary.

## FIELD OF MEMBERSHIP CHANGES



During the fourth quarter of 2001 the Bureau has approved 26 small employee groups (SEGs) to be added to the fields of membership of five credit unions. A total of 6,327 new potential credit union members have been approved for the quarter. The average group size was about 243, which figure is nearly double the previous quarter's total. Since legislation

to permit SEG expansion went into effect on July 1, 1999 there have been 176 SEGs approved for total new potential membership of 33,004. The average group size is about 188. These SEG potential members should be viewed in perspective to the fact that figures from the June 2001 Call Reports indicate that there are about 543,000 members of Virginia state-chartered credit unions.

Two requests for community fields of membership have been approved during the fourth quarter. New Horizon CU, Manassas, Virginia, converted to a community field of membership with its establishing that the Dulles Corridor in Northern Virginia is a well defined local community. The potential membership of this community is about 260,000. Shenandoah County CU, Woodstock, Virginia, also converted to a community field of membership. The population of Shenandoah County is about 35,000.

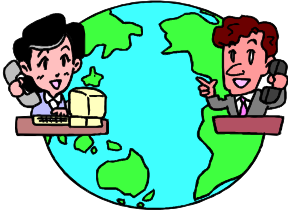
After three conversions to community fields of membership in 2001 there are now seven Virginia stated-chartered credit unions with community fields of membership: The Nansemond CU, Suffolk; Northern Star CU (formerly The Navy Yard CU), Portsmouth; Martinsville DuPont ECU, Martinsville; University of Virginia Community CU, Charlottesville; DuPont Community CU, Waynesboro; New Horizon CU, Manassas; and Shenandoah County CU, Woodstock.



## **CREDIT UNION MERGERS AND CONVERSIONS**

Amoco Yorktown Refinery CU merged with Newport News Shipbuilding ECU effective October 1, 2001. With the conversion of Fairfax County ECU to a federal charter earlier in the year the number of Virginia state-chartered credit unions is now 71. While it is expected that this number will continue to decline as small credit unions fail or merge to seek more services for their members, credit union assets continue to grow. The June 2001 Call Reports showed that assets in all Virginia state-chartered credit unions totaled over \$2.998 billion.

While the number of federal-to-state credit union charter conversions has been highly publicized nationally, none of this activity has occurred in Virginia. The Bureau has received inquiries and has heard rumors of potential interest in federal credit unions converting to a Virginia state charter. The Bureau is open to discussion on conversions, and feels it provides a sound yet fair regulatory environment. In the last edition of the "Credit Union Reflection" (Fall 2001) Commissioner Face's speech to the Virginia Credit Union League's Legislative Forum was hi-lighted. Commissioner Face pointed out many of the attractive attributes of being a Virginia state-chartered credit union.



**C ONTACT US AT OUR WEBSITE**  
**[www.state.va.us/scc division/banking](http://www.state.va.us/scc division/banking)**

COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION  
BUREAU OF FINANCIAL INSTITUTIONS  
POST OFFICE BOX 640  
RICHMOND VA 23218-0640

**IMPORTANT  
INFORMATION  
INSIDE**

