

THE CREDIT UNION REFLECTION



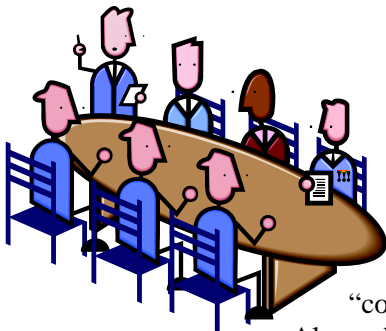
Highlights

- * Deputy Commissioner Latham Meets with Philippine Delegation
- * New Bureau Web Page
- * New Examination Critique to be Left With Credit Unions

Inside

- * SEG Activity and Mergers
- * Community Field of Membership

DEPUTY COMMISSIONER LATHAM MEETS WITH PHILIPPINE DELEGATION



On January 25, 2005 Deputy Commissioner George Latham met with credit union representatives from the Philippines in the Arlington offices of the National Association of State Credit Union Supervisors (NASCUS). The meeting was arranged by the World Council of Credit Unions (WOCCU) as a training seminar for the CEOs of Philippine “cooperatives” (credit unions). The delegation also spent some time at NCUA headquarters in Alexandria.

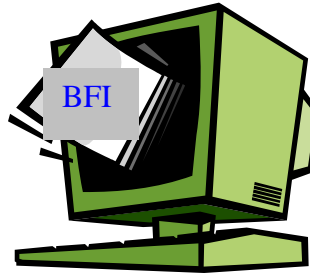
Mr. Latham answered questions on laws and governmental regulation of credit unions, and on deposit insurance. Credit unions in the Philippines have neither of these. There are several thousand “cooperatives,” but the vast majority are very small. While they all exist to help their members, only a few hundred are really viable or would be recognizable as credit unions in America. The delegation was interested in finding out how to initiate a system of regulation to assure themselves of the safety and soundness, and the continued viability, of credit unions in the Philippines. There is also a different system of capitalization in the Philippines. There are non-refundable shares, which are capital in addition to retained earnings, and then there are savings.

NASCUS staff also took the opportunity to provide background on the association’s organizational structure, state agency accreditation, and a historical lesson on the changes that have taken place in services provided by credit unions.

A thank you letter from host Dave Richardson of WOCCU states that at the end of their visit the group discussed the most important lessons learned on the trip. Many of the discussion points appear to be headed for incorporation into a new supervisory strategy for the credit unions affiliated with the Model Credit Union Network, the Philippine equivalent of a league in America. “This visit will definitely have a lasting and meaningful impact on the Filipinos who were present, as well as those back home,” states Mr. Richardson in his letter. If meetings such as this have such an impact, they are obviously well worth the time and effort when the benefit is “people helping people.”



Left to Right are: Imelda Magabilen, Luis Sasuman, Eleonor Santamarina, Lalaine Gepaya, Barbara Pogue, Lecira Juarez, Sandra Troutman, Lucas Gripo, Vicente Rana. In the rear are Molly Schar and Dave Richardson of WOCCU, George Latham and Brian Knight.



NEW BUREAU WEB PAGE

With the continued development of technology, and with the Bureau becoming more interactive electronically with the public, the State Corporation Commission (SCC) recently decided to serve as its own gateway. The Bureau now has its own web page: www.scc.virginia.gov/division/banking/ . State governments throughout the United States are adopting this new standard format for URL addresses.

Having all systems in the SCC office building makes development and management easier. Security issues can also be implemented in a more consistent manner. And the flexibility to introduce new and improved web-based services is an enhancement that benefits those who access the Bureau through its web page.

This change also means that e-mail addresses within the SCC system have also changed format. For example, Deputy Commissioner Latham’s new e-mail address is george.latham@scc.virginia.gov.

When logging on to the Bureau’s new web page, a scrolling banner will appear requesting visitor feedback on ways to improve the web site. Visitors are directed to send their comments to the bfquestions@scc.virginia.gov mailbox.



NEW EXAMINATION CRITIQUE TO BE LEFT WITH CREDIT UNIONS

Credit union section staff members have discussed ways to obtain feedback from credit unions on what their experience was with their just completed examination. This information can be useful to evaluate examiner performance, and also to identify where the examination process can be improved.

Starting in the second quarter of 2005, after the examiner completes his on-site work at your credit union, an examination evaluation form will be e-mailed to the CEO or manager. While electronic submission of the form will indicate who the filer is, confidentiality will be assured to be between the credit union and the Deputy Commissioner of Credit Unions. Filing the form is optional; however, feedback will be helpful to the Bureau in strengthening the examination process and ensuring that examiners conduct their work in a manner that is professional and helpful to credit unions.

This is an opportunity for the industry to have input into the regulatory process. The form itself may be changed from time to time to address the needs of credit unions. Feedback is welcomed as this process gets underway.

SEG ACTIVITY AND MERGERS

During the fourth quarter of 2004 the Bureau approved nine SEGs. The three credit unions requesting these groups added 3,045 new potential credit union members. The average size of the approved SEGs was 338 members, but this average is skewed upward by approval of one large SEG of 2,368 potential members. Since legislation to permit SEG expansion went into effect on July 1, 1999 there have been 326 SEGs approved for total new potential membership of 102,905.

In November 2004 AMS Credit Union, a \$4 million asset sized credit union in Fairfax, was approved to be merged into Apple FCU, also in Fairfax. This merger brought the number of approved credit union mergers or conversions of Virginia state chartered credit unions to six in 2004. One of these credit unions was still operating at year end, but Articles of Merger for this credit union are expected to be issued by the SCC during the first quarter of 2005. Thus there were 62 state chartered credit unions in Virginia as of December 31, 2004. However, total assets increased \$170 million during the year, and were over \$4 billion at the end of the year.

COMMUNITY FIELD OF MEMBERSHIP

During the fourth quarter 2004 the Bureau approved an expanded community field of membership for the University of Virginia Community CU, Charlottesville, which increased its potential field of membership to about 238,000. Tidewater Telephone ECU was also approved by the Bureau to change its field of membership from multiple sponsor groups to a community field of membership including Newport News, Hampton, Norfolk, Virginia Beach, Chesapeake, Portsmouth, and Suffolk with a potential field of membership of about 1.1 million. An underserved area request was also approved for The Richmond Postal CU to serve the City of Richmond, which qualified as a "Distressed Community/Investment Area." The new potential membership of The Richmond Postal CU is 194,729. Northern Star CU, Portsmouth, filed a request to expand its community to be the same as that of Tidewater Telephone ECU. This request was approved in 2005.

There are now nine Virginia state-chartered credit unions operating with community fields of membership:

<u>Credit Union</u>	<u>Location</u>	<u>12/04 Assets</u>
Beacon CU	Lynchburg	\$34 million
DuPont Community CU	Waynesboro	\$486 million
Gwaltney CU	Smithfield	\$1.6 million
Martinsville DuPont ECU	Martinsville	\$214 million
The Nansemond CU	Suffolk	\$2.9 million
New Horizon CU	Manassas	\$30 million
Northern Star CU	Portsmouth	\$101 million
Tidewater Telephone ECU	Virginia Beach	\$32 million
University of Virginia Community CU	Charlottesville	\$312 million

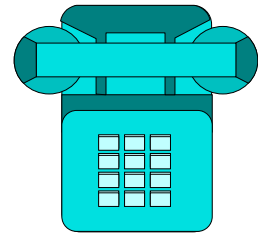
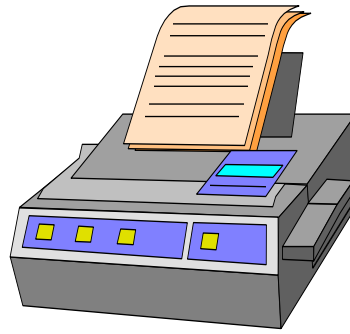
In addition two Virginia state-chartered credit unions currently serve underserved areas:

Newport News Shipbuilding ECU	Newport News	\$863 million
The Richmond Postal CU	Richmond	\$73 million

These credit unions have total assets of nearly \$2.15 billion dollars. That figure is over 53% of the total assets of Virginia state-chartered credit unions at the end of 2004. Over one-half the supervised assets in Virginia are in credit unions that serve communities and underserved areas. Asset growth in this area increased \$1.04 billion during 2004, or at a 94% growth rate. Clearly, credit unions in Virginia are looking to expand by serving communities and underserved areas.

“Important Numbers”

FAX
804-371-9416



George H. Latham, **Deputy Commissioner**..... 804-371-9698
Internet e-mail: George.Latham@scc.virginia.gov
Jeanette J. Sanders, Principal Office Technician804-371-9267
Internet e-mail: Jeanette.Sanders@scc.virginia.gov
Nicholas C. Kyrus, Deputy Commissioner804-371-9690
Corporate Structure and Research
Internet e-mail: Nick.Kyrus@scc.virginia.gov
(applications or notices for mergers, relocations, name changes, and branch openings and closings)



CONTACT US AT OUR WEBSITE
www.scc.virginia.gov/division/banking/

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

**IMPORTANT
INFORMATION
INSIDE**