

Quarterly Newsletter

THE CREDIT UNION REFLECTION



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BUREAU'S CREDIT UNION SECTION IS RE-ACCREDITED BY NASCUS

The National Association of State Credit Union Supervisors (NASCUS) recently announced that the Virginia Bureau of Financial Institutions has earned NASCUS re-accreditation. The Bureau was first accredited in 2002. NASCUS accreditation is valid for a five-year period subject to annual review.

NASCUS's accreditation program applies national standards of performance to a state's regulatory program. There are considerable benefits of accreditation for state agencies. A state's self-analysis of the functional areas required for accreditation usually results in self-improvement of the agency. Accreditation is credible evidence of the agency's capabilities. Accreditation benefits state-chartered credit unions as well. An accredited state agency represents more effective and efficient examinations. Accreditation also means that the state regulator has taken the initiative to improve its level of regulatory proficiency by meeting the high standards established in the program.

"The agency places great value and honor in receiving the NASCUS accreditation because it comes from our peers," said Commissioner Joe Face. "We believe accreditation is recognition of our efforts to achieve and maintain the highest levels of quality regulation and supervision, which provides tremendous benefits to Virginia's citizens and financial institutions."



To earn re-accreditation, the Bureau completed a comprehensive Self Evaluation Report for Accreditation (SERA) and developed supporting documentation as well. This effort was evaluated by an on-site Accreditation Review Team (ART) that completed a thorough examination of the Bureau. The ART prepared a detailed written report summarizing their scrutiny of the Bureau's programs and performance.

“Accreditation shows that your peers consider your work product and regulatory performance to be of a high degree of value,” said Deputy Commissioner George Latham. “Beyond that, you know the industry and your peers respect your agency's performance, and rely on you for holding to a high standard in ensuring the public trust in the safety and soundness of credit unions.”

NASCUS-accredited states supervise over 83 percent of the total assets of all state-chartered credit unions.

STATE-CHARTERED CREDIT UNIONS RESPOND TO COMMISSION'S PROPOSED REGULATIONS ON CUSOs

On October 5, 2007 the State Corporation Commission entered an Order to Take Notice of proposed regulations on Credit Union Service Organizations (CUSOs) for public comment. The Order noted that the Code of Virginia authorizes the Commission to promulgate regulations to permit state chartered-credit unions to exercise powers comparable to federal credit unions. The proposed regulations were based on Part 712, Credit Union Service Organizations (CUSOs), of NCUA's Rules and Regulations.

Public comments were received through December 14, 2007. Nine credit unions and credit union organizations filed comments. All those who commented noted differences between the proposed Commission regulations and the provisions of Part 712 of the NCUA Rules and Regulations. Each commenter noted how the differences would negatively affect the ability of state-chartered credit unions to compete with federal credit unions on an equal basis.

The Order also offered interested parties the opportunity to request a public hearing. Five of the commenters filed requests for a hearing. On December 21, 2007 the Commission issued an Order scheduling a hearing to be held February 26, 2008 in the Commission's Courtroom in the Tyler Building in Richmond. At that time the Commission will hear comments from interested persons and consider the adoption of the proposed regulations.

BUREAU LOSES LONGTIME EMPLOYEE



Jeanette J. Sanders, 50, died on Saturday, November 10, 2007, following more than a year-long battle with cancer. She joined the Bureau in 1979 and worked as a principal office technician in the credit union section. Funeral services were held on Tuesday, November 13, 2007, at the Welch Funeral Home in Warsaw, Virginia.

Perhaps Jeanette's single-most important quality was her friendliness and ability to make friends. And along with friendship comes loyalty. Jeanette loved her job here at the Commission, and the people. She would do anything for

anyone. It would be hard to imagine that the Commission has ever had a more loyal employee.

Jeanette was also very creative and innovative. When our quarterly newsletter, the “Credit Union Reflection,” was first published in 1998, it was Jeanette who created the banner and all the graphics. Each quarter she took the copy given her and used her imaginative computer skills to produce a colorful and visually appealing *objet d'art*. During her absence because of her illness, others of her fellow employees have tried to replicate her work, but Jeanette’s touch is certainly missing. We will do our best to continue her work on the newsletter, being inspired by her previous efforts, and remembering her warmly in the process.

**SEG, FIELD OF MEMBERSHIP,
AND MERGER ACTIVITY**

During the fourth quarter of 2007 the Bureau approved one small employee group (SEG) with 250 new potential credit union members. Since legislation to permit SEG expansion went into effect on July 1, 1999 there have been 424 SEGs approved for total new potential membership of 115,438.

During 2007 the Bureau lost regulation of four state-chartered credit unions:

NAME	ACTIVITY	ASSETS	MEMBERS
Fort Monroe CU Hampton	Merged with Tidewater Telephone ECU to become <i>membersTrust</i> CU	\$20.4 million	4,900
P.W.H. ECU Manassas	Merged into Healthcare Systems FCU, Falls Church	\$2.5 million	798
Associates CU Richmond	Converted to Assurance FCU	\$10.0 million	2,563
Smithfield Packing ECU Smithfield	Merged into Home Town Community CU, Smithfield	\$1.7 million	1,315

With the reduction of these four credit unions there were 54 state-chartered credit unions at the end of 2007. Total assets for 56 Virginia state-chartered credit unions at the end of the third quarter of 2007 were \$4.56 billion. Asset growth in the third quarter declined significantly and was only \$18 million, or 1.6% annualized, after being 11.5% for the first half of the year. Annualized asset growth for the first three quarters of 2007 was thus 4.5%. This asset growth compares somewhat uniformly with asset growth in 2005 and 2006 of 3.7% and 5.7%, respectively.

In 2007 there were no community or underserved area field of membership requests. There are ten Virginia state-chartered credit unions operating with community or underserved area fields of membership.

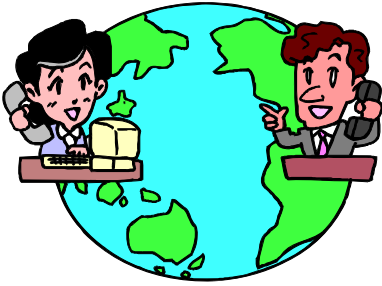
The mission and purpose of the Credit Union Section is to effectively and efficiently supervise, regulate, and assist credit unions chartered by the Commonwealth of Virginia in order to:

- 1. Protect the financial interests of credit union members.*
- 2. Ensure compliance with applicable laws.*
- 3. Ensure adherence to safe and sound operating procedures and principles.*

These three objectives are to be pursued so as to safeguard a financial environment within Virginia worthy of the public's confidence in credit unions and the financial system as a whole.

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(applications or notices for mergers, relocations, name changes, and
branch openings and closings)

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**IMPORTANT
INFORMATION
INSIDE**