

THE CREDIT UNION REFLECTION



Highlights

- ☛ Governor Signs Credit Union Membership Bill

Inside

- ☛ Year 2000 Update
- ☛ Credit Union Mergers
- ☛ Important Telephone Numbers and (NEW) E-Mail addresses

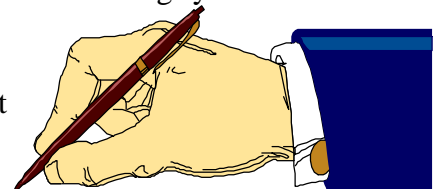
GOVERNOR SIGNS CREDIT UNION FIELD OF MEMBERSHIP BILL

With the passage by the Virginia General Assembly of SB1019 and the Governor's signing of this bill on March 11, 1999, new rules will be in place for Virginia state-chartered credit unions to expand their fields of membership. The new statute becomes effective July 1, 1999. The Bureau is developing guidelines and procedures for reviewing requests to expand fields of membership.

The bill amends the Virginia Credit Union Act to allow state chartered credit unions to have similar powers, with respect to multiple membership groups and community common bonds, to the powers afforded federal credit unions. The passage in 1998 of the Credit Union Membership Access Act by the U.S. Congress gave back to federal credit unions the power to add select employee groups to their field of membership. In effect this federal Act disadvantaged Virginia state-chartered credit unions versus federal credit unions on field of membership issues. The Bureau crafted SB1019 to be similar to the federal Act, but to preserve its regulatory flexibility so that federal regulatory standards are not mandated to Virginia state-chartered credit unions. The effect is to maintain a viable dual-chartering system in Virginia.

In considering this bill, the Bureau worked closely with both the Virginia Credit Union League and the Virginia Bankers Association. A mediated solution to this contentions issue was necessary for passage of SB1019. While the League lobbied hard for this bill, much credit must be given to the VBA for its decision not to oppose the bill. The VBA recognized its vested interest in preserving the dual chartering system for all state-chartered depository institutions.

A full text of the Governor approved bill may be found on the Internet by assessing the Legislative Information System ([http:// leg1.state.va.us/](http://leg1.state.va.us/)), clicking on "Bills and Resolutions," then clicking on "Governor Approved," then clicking on "SB1019 Credit Unions; membership," then finally clicking on "03/11/99 Governor Acts of Assembly Chapter text (CHAP0063)."



YEAR 2000 UPDATE



With nine months remaining until the year 2000, the Bureau is stepping up its efforts to make sure the credit unions it regulates will be Year 2000 compliant. Most Virginia state-chartered credit unions have made responsible efforts to comply, but as with any endeavor there are always a few who need attention. The Bureau has identified several credit unions it will contact to make sure they are on time with deadline dates. If any of these credit unions are deficient the Bureau will take the necessary steps to bring them up to speed.

By March 31, 1999 all credit unions should have long ago identified critical systems and renovated them to thwart the Y2K bug. Testing of those renovated systems should be well under way. All conversions should be completed soon. By June 30, all testing should be complete. If this scenario does not sound like your credit union's condition, please contact the Bureau promptly, not so we can scold you, but so we can help you.

With testing becoming completed, new issues in preparation for Year 2000 arise.

Liquidity: Most observers expect that credit union members will withdraw large amounts of cash or draw down lines of credit in anticipation of the New Year 2000. Efforts should be made to discourage members from these activities by re-inforcing their confidence in your credit union's Y2K compliance capability. Nevertheless, to be conservative your credit union should start making arrangements NOW to have extra cash on hand or to increase your lines of credit with lending institutions. Waiting until the fall when every other credit union may be doing the same thing will create delays and anxiety.

The extent of anticipated liquidity needs is indicated by requested changes in the Central Liquidity Fund. The CLF has had for 20 years a \$600 million borrowing cap which has never been approached. Expecting a large liquidity need for the New Year 2000, NCUA Board Chairman D'Armours recently requested Congress to raise this cap to \$18 billion—30 times the present limit!

How much extra cash and extra lines of credit do you need? Several procedures for determining this figure are available, including one developed by CUNA on its web site. As long as our examiners see a reasonable estimate based on logical data, the Bureau will be satisfied. But don't delay this liquidity planning process. The Bureau will soon be sending out a letter requesting your credit union's liquidity plan.

Contingency planning: You have prepared for Y2K and done all that was asked of you. It's January 1, 2000 and things are not going as smoothly as hoped. What do you do?

This is where your pre-determined contingency plan is triggered. If your credit union has thought this process through and decided what to when certain things happen, you will not be making hasty or uninformed decisions. NCUA will require a "Business Resumption Contingency Plan Timetable" to be in place by June 30, 1999.



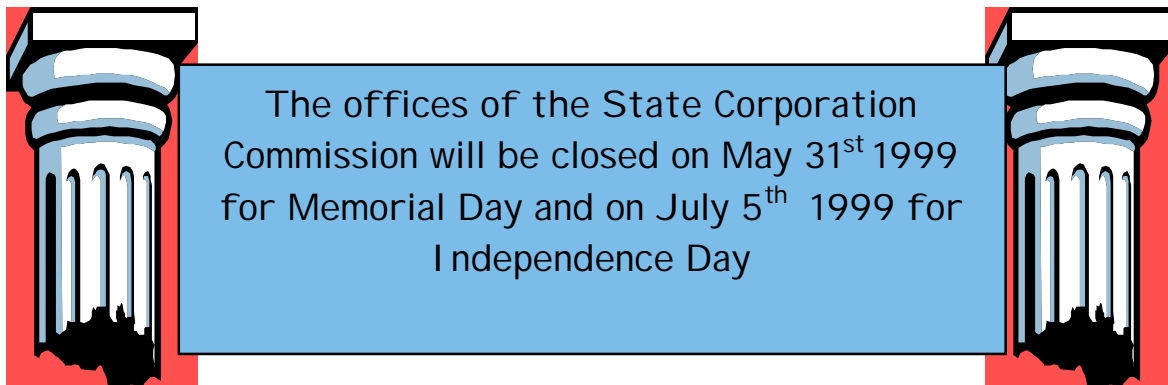
STATE CHARTERED CREDIT UNION MERGERS



At the end of 1997 there were 78 Virginia State Chartered credit unions. The following mergers have taken place since then which affect state chartered credit unions:

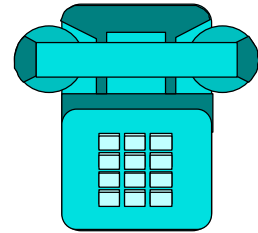
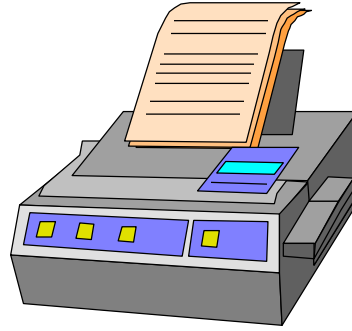
- ICI Employees Credit Union, Hopewell, merged into Spruance Cellophane Credit Union, Richmond, on February 17, 1998
- Salem E.B.A. Credit Union, Incorporated merged into Virginia Credit Union, Richmond, on September 15, 1998.
- Texaco Employees Credit Union, Incorporated, Chesapeake, merged into Texaco Employees Federal Credit Union, Norcross, Georgia, on February 2, 1999.

At the end of 1998 there were 76 state-chartered credit unions with assets totaling slightly over \$2.4 billion. The trend of fewer credit unions but increasing assets has continued for a number of years.



“Important Numbers”

**FAX
804-371-9416**



George H. Latham, **Deputy** Commissioner 804-371-9698

Internet e-mail: glatham@scc.state.va.us

Jeanette J. Sanders, Principal Office Technician804-371-9267

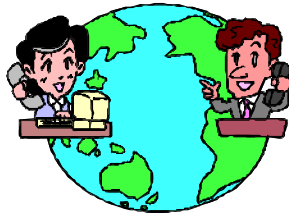
Internet e-mail: jsanders@scc.state.va.us

Nicholas C. Kyrus, Deputy Commissioner804-371-9690

Corporate Structure and Research

Internet e-mail: nkyrus@scc.state.va.us

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



CONTACT US AT OUR WEBSITE

www.state.va.us/scc

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

**IMPORTANT
INFORMATION
INSIDE**