STATE OF CALIFORNIA

DEPARTMENT OF BUSINESS OVERSIGHT

In the Matter of	)	
	)	
MID-CITIES CREDIT UNION	)	FINAL ORDER
Respondent	)	(Financial Code section 580)
	)	
	)	
	)	

Pursuant to Section 580 of the Financial Code, the Commissioner of Business Oversight of the State of California ("Commissioner") orders:

1. Mid-Cities Credit Union ("Respondent") shall retain management and maintain a Board of Directors ("Board") acceptable to the Commissioner.

(a) Respondent's management shall include, at a minimum, in accordance with Item 1(c) and Item 1(d) of this Order, a chief executive officer, a chief lending officer, and a chief financial officer, or equivalent, qualified to restore Respondent to a sound condition, operate Respondent in a safe manner, comply with the provisions of this Order, and comply with applicable laws and regulations. Each member of management shall be provided appropriate written authority from the Board to implement the provisions of this Order.

(b) Without limiting the generality of the foregoing, the Commissioner reserves the right to determine whether the present members of Respondent's management, Board, credit committee or supervisory committee are acceptable.

(c) Within sixty (60) days of the date of this Order, Respondent shall commence a search to identify a chief executive officer acceptable to the Commissioner. The chief executive officer shall have proven ability to manage a credit union of comparable size and experience in developing sound credit administration and credit underwriting practices and procedures, improving earnings, and other matters needing particular attention.

(d) Within sixty (60) days of the date of this Order, Respondent shall commence a search to identify a chief financial officer acceptable to the Commissioner. The chief financial officer or equivalent shall have sufficient experience to manage Respondent's accounting and finance operations.

(e) Respondent shall not add, elect, nominate for election, or appoint anyone to the Board, any of its committees, or hire any senior management officers (executive vice president and above), without the prior written approval of the Commissioner.

2. Within forty-five (45) days of the date of this Order, all members of the Board shall attend and participate in financial-literacy training specifically designed for credit union directors. The training shall be satisfactory to the Commissioner and ensure that, at a minimum, upon its completion directors:

(a) have a working familiarity with basic finance and accounting practices;

(b) can read and understand their credit union's balance sheet and income statement; and

(c) can ask, as appropriate, substantive questions of management and the internal and external auditors.

3. Within sixty (60) days of the date of this Order, Respondent shall commence a search to identify a merger partner who is acceptable to the Commissioner. Respondent shall furthermore use all reasonable efforts and submit written representations from at least three (3) credit unions acceptable to the Commissioner who would be willing to merge with Respondent. The written representations shall consist of non-binding good faith representations by the credit unions that they would be able and willing to merge Respondent with and into themselves if Respondent's net-worth-to-assets ratio falls below seven (7) percent.

4. For the year ending December 31, 2018, and for each subsequent year, Respondent shall operate with an operating expense-to-average-assets ratio of no more than six (6) percent.

5. Within sixty (60) days of the date of this Order, Respondent shall develop, adopt, and submit a Net Worth Preservation Plan and budget, documenting specific actions to be taken, the assumptions made, and the timeframes necessary to achieve profitability with a benchmark of 0.1 percent of total assets for each quarter in the year 2018. The Net Worth Preservation Plan shall include an expense analysis that describes changes in compensation and benefits, staffing levels, office operations, education and promotion, dividends, external and professional services, capital expenditures, and technology purchases. The Net Worth Preservation Plan and its implementation shall be satisfactory to the Commissioner as determined at subsequent examinations or visitations.

At a minimum, the Net Worth Preservation Plan shall include:

(a) Loan growth by type and interest rate;

(b) Increased quality control to ensure the loan growth is consistent with current policy and the credit union's loss reserves;

(c) Anticipated provisions for loan-loss expense;

(d) Reduced operating expenses by amount and category;

(e) Fee income by type and amount;

(f) Specific quarterly performance benchmarks, minimally to include return on assets, operating expenses and net worth; and

(g) Contingency plans if the above goals are not met, include trigger points for specific actions.

6. Within forty-five (45) days of the date of this Order, Respondent shall develop or revise, adopt, and implement oversight procedures for any vendors or independent contractors who provide debt-collection services. Such policies and procedures and their implementation shall be satisfactory to the Commissioner as determined at subsequent examinations or visitations.

(a) Within thirty (30) days of the date of this Order, Respondent shall review its current contract with its debt-collection agency to determine whether:

i. The debt-collection agency is performing according to the agreed terms;

ii. The agreed debt-collection procedures used by the debt-collection agency are adequate to meet Respondent's needs;

(b) On the basis of that review, and no later than thirty (30) days from completion of that review, if Respondent deems the contract referenced in paragraph 6(b) of this Order to be inadequate, Respondent shall either terminate the contract or negotiate and achieve a reduced fee. Respondent shall not renew or extend the term of the contract without the Commissioner's prior written approval.

7. Within thirty (30) days of the end of the first quarter following the effective date of this Order, and within thirty (30) days of the end of each quarter thereafter, Respondent shall furnish a written progress report to the Commissioner. The report shall set forth the following in detail:

(a) Actions taken to comply with each section of this Order;

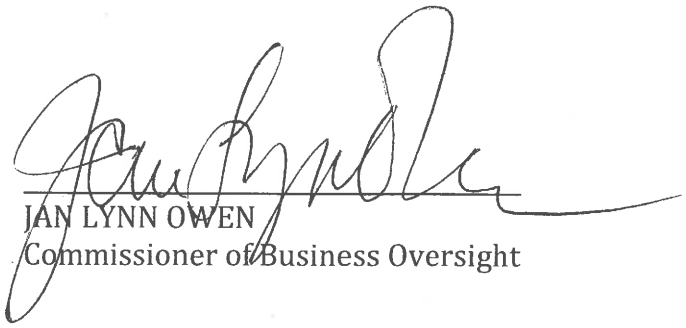
(b) The results of those actions; and

(c) A description of actions remaining to be accomplished in order to achieve full compliance with each section of this Order.

This Order is effective immediately. Violation of any provision of this Order will be deemed to be conducting business in an unsafe manner, and will subject Respondent to further

regulatory enforcement action. The Commissioner reserves the right to amend, revoke or rescind this Order in whole or in part.

Dated: December 11, 2017.



JAN LYNN OWEN
Commissioner of Business Oversight