

\*\*\*\*\*  
\*  
\*  
NEW HAVEN COUNTY \*  
CREDIT UNION, INC. \*  
\*  
\*  
\*\*\*\*\*

**CONSENT ORDER**

**WHEREAS**, the Banking Commissioner (“Commissioner”) is charged with the administration of Chapter 667, Title 36a of the Connecticut General Statutes;

**WHEREAS**, The New Haven County Credit Union, Inc. (“Credit Union”) is a Connecticut credit union, and, as such, subject to the jurisdiction of the Commissioner;

**WHEREAS**, Pursuant to Section 36a-17 of the Connecticut General Statutes, the Commissioner, has conducted an investigation and examination of the Credit Union and, based upon his findings, believes that the Credit Union has engaged in unsafe and unsound practices and that grounds exist to initiate an administrative action against the Credit Union pursuant to Section 36a-53 of the Connecticut General Statutes;

**WHEREAS**, the Credit Union solely for the purpose of obviating the need for formal administrative proceedings based upon the allegations contained herein, agrees to the issuance of this Consent Order;

**WHEREAS**, the Credit Union, through its execution of this Consent Order, voluntarily waives the right to be afforded notice and an opportunity for a hearing and seek judicial review of, or otherwise challenge or contest the matters described herein, including the validity of this Consent Order.

**WHEREAS**, an administrative proceeding initiated under Section 36a-53 would constitute a “contested case” within the meaning of Section 4-166(4) of the General Statutes of Connecticut;

**WHEREAS**, Section 4-177(c) of the General Statutes of Connecticut and Section 36a-1-55(a) of the Regulations of Connecticut State Agencies provide that a contested case may be resolved by consent order, unless precluded by law.

**AND WHEREAS**, on August 5, 2019, the Credit Union by and through its duly elected and acting Board of Directors (“Board”) executed a Stipulation to the Issuance of a Consent Order, wherein the Credit Union stipulated and agreed to the issuance of this Consent Order.

**NOW THEREFORE, IT IS HEREBY ORDERED THAT:**

1) The Board shall increase its participation in the affairs of the Credit Union, assuming full responsibility for the approval of sound policies and objectives and for the supervision of all of the Credit Union's activities, consistent with the role and expertise commonly expected for directors of credit unions.

(a) This participation shall include meetings to be held no less frequently than monthly at which, at a minimum, the following areas shall be reviewed and approved: reports of income and expenses; new, overdue, renewed, insider, charged off, and recovered loans; investment activity; liquidity levels and funds management; adoption or modification of operating policies; individual committee reports; audit reports; internal control reviews including management’s responses; reconciliation of general ledger accounts; and compliance with this Order. Comprehensive Board minutes shall be taken at each meeting which document these reviews and approvals, including the names of any dissenting directors.

(b) The Board shall develop a Board of Directors attendance policy which requires, at a

minimum, attendance at least seventy-five percent (75%) of meetings held in a calendar year, and automatic removal of any member who does not meet the threshold established by such policy.

(c) The Board shall immediately establish a supervisory committee, with at least three (3) members that meets the requirements of Sections 36a-451a of the Connecticut General Statutes. The supervisory committee shall meet at least quarterly while this Consent Order is in effect. The supervisory committee shall keep detailed minutes and present a report to the Board on at least a quarterly basis. Within thirty (30) days after the effective date of this Consent Order, the Credit Union shall develop a Supervisory Committee Plan ("Plan"). A copy of the Plan shall be submitted to the Commissioner and National Credit Union Administration ("NCUA") upon completion. A status report on the progress of the supervisory committee in meeting the Plan shall be submitted to the NCUA and Commissioner on a quarterly basis.

(d) The Credit Union shall immediately notify the Commissioner and the NCUA in writing of any resignation or termination of any member of its Board, credit committee, supervisory committee, or senior management. In addition, the Credit Union shall notify the Commissioner and NCUA in writing of any proposed new member of the Board, any committee or senior management at least thirty (30) days prior to the date such new member is to begin service. Such service shall not commence until receipt of approval from the Commissioner and the NCUA.

2) The Credit Union shall have and retain a qualified and active Board, management, and staff. Each member of the Board, management, and staff shall possess qualifications and

experience commensurate with his or her duties and responsibilities at the Credit Union. Within thirty (30) days after the effective date of this Consent Order, the Credit Union shall retain a consultant who is acceptable to the NCUA and the Commissioner, and who will develop a written analysis and assessment of the Credit Union's Board, management, and staff ("Staffing Report") for the purpose of providing qualified supervision and staffing of the Credit Union.

- (a) The qualifications of personnel shall be evaluated by reviewing each person's ability to: comply with the requirements of this Consent Order; operate the Credit Union in a safe and sound manner; comply with applicable laws and regulations; and restore all aspects of the Credit Union to a safe and sound condition, including improving the Credit Union's asset quality, capital adequacy, earnings, management effectiveness, liquidity, and sensitivity to market risk.
- (b) The Staffing Report shall be developed within ninety (90) days from the effective date of this Consent Order. The Staffing Report shall include, at a minimum: identification of both the type and number of positions needed to properly manage and conduct the affairs of the Credit Union with a detailed job description of each position; evaluation of all Credit Union Board members, officers, and staff to determine whether these individuals possess the ability, experience and other qualifications required to perform present and anticipated duties, including adherence to the Credit Union's established policies and practices, and restoration and maintenance of the Credit Union in a safe and sound condition; and a plan to recruit and hire any additional or replacement personnel with the requisite ability, experience and other qualifications necessary to fill those Board, officer or staff member

positions identified in the Staffing Report. A copy of the Staffing Report shall be submitted to the Commissioner and NCUA upon completion.

3) Within sixty (60) days after the effective date of this Consent Order, the Credit Union shall ensure effective internal controls are in place and accurate, complete financial records are maintained, including but not limited to:

- (a) Monthly reconciliation of all general ledger accounts;
- (b) Preparation of accurate monthly financial statements;
- (c) Review of daily file maintenance reports, including documentation of such review;  
and
- (d) Calculation and funding of the Allowance for Loan and Leases Losses prior to the payment of monthly dividends.

4) The Credit Union shall file accurate and timely NCUA 5300 Call Reports which reflect the financial condition of the Credit Union as of each reporting period. In particular, the Credit Union shall ensure that delinquent loans are properly reported and the Allowance for Loan and Lease Losses Account is adequately funded.

5) Within sixty (60) days after the effective date of this Consent Order, the Credit Union shall engage an independent party to perform a comprehensive audit and a one hundred percent (100%) verification of member accounts. The audit shall be conducted in accordance with Section 36a-451a of the Connecticut General Statutes and include a statement as to the reasonableness of the Credit Union's methodology for calculating the Allowance for Loan

and Lease Loss ratio and funding methodology for the Allowance for Loan and Lease Losses Account. The audit engagement letter should clearly state that any work papers associated with the audit shall be made available to the Commissioner and the NCUA upon request. Upon completion, a copy of the audit and results of the verification shall be submitted to the Commissioner and the NCUA.

- 6) Within ninety (90) days after the effective date of this Consent Order, the Credit Union shall adopt a comprehensive written strategic plan covering an operating period of at least three (3) years ("Strategic Plan") and submit it to the Commissioner and the NCUA for review and comment. Within thirty (30) days after the receipt of any comments and after adoption of any recommended changes, the Board shall approve the revised Strategic Plan and record its approval in the Board meeting minutes. The Strategic Plan shall, at a minimum: (a) include an assessment of the Credit Union's current financial condition and a description of the operating assumptions that form the basis for major projected income and expense components, and (b) address short-term and long-term goals and operating plans to comply with the terms of this Consent Order and implement all regulatory recommendations. Within thirty (30) days after the end of each calendar quarter following the adoption of the Strategic Plan, the Board shall evaluate the Credit Union's performance in relation to the Strategic Plan, record the results of the evaluation and any actions taken to meet the plan by the Credit Union in the Board meeting minutes, and provide a copy of the quarterly evaluation to the Commissioner and the NCUA.
- 7) Within ninety (90) days after the effective date of this Consent Order, and within the first

thirty (30) days of each calendar year thereafter, the Board shall develop and fully implement a written budget consisting of goals and strategies, consistent with sound banking practices, and taking into account the Credit Union's other written plans, policies, or other actions as required by this Consent Order. The Board shall develop a budget review process to monitor the revenue and expenses of the Credit Union whereby actual performance is compared against budgetary projections not less than monthly, and the results of the evaluation and any actions taken by the Credit Union are recorded in the Board meeting minutes. The written budget shall include, at a minimum:

- (a) identification of the major areas in, and means by which, the Board will seek to improve the Credit Union's operating performance;
  - (b) specific goals to improve the net interest margin, increase interest income, reduce discretionary expenses, improve and sustain earnings, and maintain adequate provisions to the Allowance for Loan and Lease Losses; and
  - (c) a description of the operating assumptions that form the basis for, and adequately support, material projected revenue and expense components.
- 8) Within sixty (60) days after the effective date of this Consent Order, and annually thereafter, the Board shall ensure that: (a) all Credit Union employees and Board members are provided Bank Secrecy Act ("BSA") training, and (b) a comprehensive and independent review of the Credit Union's BSA program is performed. The Credit Union shall submit such review to the Commissioner and the NCUA.
- 9) Within sixty (60) days after the effective date of this Consent Order, and annually thereafter, the Board shall ensure that a comprehensive and independent review of the Credit Union's

Secure and Fair Enforcement for Mortgage Licensing Act compliance is performed. The Credit Union shall submit such review to the Commissioner and the NCUA.

10) Within ninety (90) days from the effective date of this Order, the Credit Union shall conduct a review of the Credit Union's loan policies and procedures for adequacy and, based upon such review, shall make all appropriate revisions to the loan policies and procedures (collectively, the "Loan Policy") necessary to address the lending deficiencies identified in the Report of Examination. The Board shall also establish loan review and monitoring procedures to ensure that all lending personnel are adhering to the Loan Policy, and that the Board is receiving timely and fully documented reports on loan activity, including reports that identify deviations from the Loan Policy. At a minimum, the Loan Policy shall:

- (a) require that all extensions of credit originated or renewed by the Credit Union, including loans purchased from a third party, have a clearly defined and stated purpose; have a predetermined and realistic repayment source and schedule, including secondary sources of repayment; are supported by complete loan documentation, including lien searches, perfected security interests, and collateral valuations; and are otherwise in conformance with the Loan Policy;
- (b) require accurate reporting of past due, maturing, and non-accrual loans to the Board at least monthly;
- (c) require the individual reporting to the Board of loans granted as exceptions to the Loan Policy and aggregation of such loans in the portfolio; and
- (d) establish guidelines for the timely recognition of loss through charge-off.

The Loan Policy shall be submitted to the NCUA and the Commissioner for non-objection or comment. Within thirty (30) days from receipt of non-objection or comments from the NCUA

and the Commissioner, and after incorporation and adoption of all comments, the Board shall approve the Loan Policy, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Credit Union shall implement and fully comply with the Loan Policy.

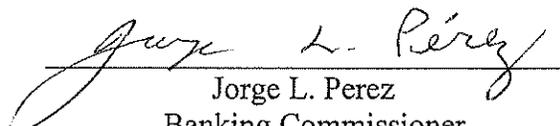
11) Within ninety (90) days after the effective date of this Consent Order, the Credit Union shall establish a comprehensive, written Information Security Program (“ISP”). At a minimum, the ISP shall require: an annual information technology risk assessment; periodic internal and external vulnerability assessments; periodic disaster recover testing; annual information security training for staff; and annual reporting to the Board on the status of the ISP. A copy of the ISP shall be submitted to the Commissioner and NCUA upon completion.

12) Within sixty (60) days after the effective date of this Consent Order, the Credit Union shall take steps, consistent with safe and sound practices, necessary to eliminate or correct all violations of laws, rules, and regulations cited in the latest Report of Examination and comply with any orders and agreements. In addition, within ninety (90) days after the effective date of this Consent Order, the Credit Union shall adopt and implement appropriate procedures to ensure future compliance with all applicable laws, rules, regulations, policies, orders, and agreements.

13) Effective immediately, the Credit Union will provide the following to the NCUA and the Commissioner within fifteen (15) days of the end of each month: Board minutes; monthly financial statements; listing of delinquent loans; and the Allowance for Loan and Lease Loss Methodology Worksheet.

- 14) Effective immediately, the Credit Union will provide the following to the NCUA and the Commissioner within fifteen (15) days of the end of each quarter: the share and loan trial balance summary; any new or revised policies; a status report on each provision of this Consent Order and any other information requested by the NCUA or Commissioner.
- 15) This Consent Order shall become final upon issuance.
- 16) The provisions of this Consent Order shall be binding upon the Credit Union, its successors in interest, and its directors, officers, and employees.
- 17) The provisions of this Consent Order shall remain effective and enforceable except to the extent that, and until such time as, any provision of this Consent Order shall have been modified, suspended, or terminated in writing by the Commissioner and the NCUA.
- 18) Issuance of this Consent Order by the Commissioner is without prejudice to the right of the Commissioner and the NCUA to take enforcement action against the Credit Union based upon a violation of this Consent Order if the Commissioner or the NCUA determines that compliance with the terms herein is not being observed or if any representation made by the Credit Union and set forth herein is subsequently determined to be untrue.

Dated at Hartford, Connecticut  
this 5<sup>th</sup> day of August 2019.

  
Jorge L. Perez  
Banking Commissioner