



**DIVISION OF CREDIT UNIONS
DEPARTMENT OF FINANCIAL INSTITUTIONS
STATE OF WASHINGTON**

IN THE MATTER OF:

**COWLITZ CREDIT UNION
LONGVIEW, WASHINGTON**

**CU – 2012-05-15 CO
CONSENT ORDER TERMINATION**

Pursuant to Chapter 31.12 of the Revised Code of Washington ("RCW"), the Assistant Director of the Division of Credit Unions of the Washington State Department of Financial Institutions hereby terminates the Consent Order originated against Cowlitz Credit Union of Longview, Washington on June 8, 2011.

This Consent Order is terminated effective this 15 day of May 2012.

**DIVISION OF CREDIT UNIONS
DEPT. OF FINANCIAL INSTITUTIONS
STATE OF WASHINGTON**


Linda Jekel
Assistant Director



**DIVISION OF CREDIT UNIONS
DEPARTMENT OF FINANCIAL INSTITUTIONS
STATE OF WASHINGTON**

IN THE MATTER OF:

COWLITZ CREDIT UNION
LONGVIEW, WASHINGTON

CU – 2011-05-17 CO
CONSENT ORDER

CONSENT ORDER

The Assistant Director (Assistant Director) of the Division of Credit Unions (Division) of the Washington State Department of Financial Institutions (DFI), and Cowlitz Credit Union of Longview, Washington (Credit Union), finding that the issues raised in this captioned matter may be economically and efficiently settled, agree to the provisions of this Consent Order. The Credit Union, having been advised of its right to a written notice of charges and intent to issue a cease and desist order under RCW 31.12.585 and its right to a hearing on the alleged charges under RCW 31.12.625, and having waived those rights, enter into this Consent Order with the Assistant Director, without admitting or denying the alleged [REDACTED]. This Consent Order is issued pursuant to Chapter 31.12 of the Revised Code of Washington ("RCW"), and RCW 34.05.060 of the Administrative Procedure Act, based on the following:

I. UNDISPUTED FACTS

- A. The Credit Union is a Washington-State chartered credit union organized September 8, 1966 and operating under Chapter 31.12 RCW, the Washington State Credit Union Act. The Credit Union is subject to examination, supervision, and enforcement actions by the Director of DFI and the Director's delegate, the Assistant Director, pursuant to Chapter 31.12 RCW.
- B. The directors and senior managers of a credit union have fiduciary duties to the credit union. RCW 31.12.267; see also Division Opinion Number 98-4.
- C. The Division conducts examinations of the Credit Union in accordance with RCW 31.12.545. Examination reports are confidential and privileged under RCW 31.12.565. Division representatives have provided the Examination Report to and discussed its contents with the CEO and directors and certain employees of the Credit Union.
- D. The Credit Union's shares and deposits are insured by the National Credit Union Share Insurance Fund (NCUSIF) administered by the National Credit Union Administration (NCUA), under Title II of the Federal Credit Union Act, 12 U.S.C. 1781 et seq. The Credit Union is subject to examination and supervision by the NCUA, and is subject to NCUA rules and regulations at 12 C.F.R. Part 741.

II. Order

A. The Board of Directors (Board) agrees to take affirmative actions as follows:

1. **By August 1, 2011**, the Credit Union's Board will recruit and appoint sufficient qualified members to bring the total membership of the **Supervisory Committee** to the regulatory minimum of three members in accordance with RCW 31.12.326.
2. **Within 60 days of signing the Consent Order**, the Board will develop or retain **qualified management**.
 - (a) The quality of management will be assessed on its ability to:
 - (i) comply with the requirements of the Examination Report and this Order;
 - (ii) operate the Credit Union in a safe and sound manner;
 - (iii) comply with applicable laws and regulations; and
 - (iv) ensure all aspects of the Credit Union to be in safe and sound condition, including earnings, management effectiveness, and consumer compliance.
3. **Within 60 days of signing the Consent Order**, the Board will increase its participation in the affairs of the Credit Union. They will assume full responsibility for the approval of sound policies and meeting the Credit Union's business objectives. They will be responsible for the supervision of all the Credit Union's activities, consistent with the role and expertise commonly expected for directors of credit unions of comparable size¹.
 - (a) This participation shall include meetings to be held no less frequently than monthly at which, at a minimum, review and approval of progress reports on responses and corrective actions needed and taken to comply with the following documents:
 - (i) [REDACTED],
 - (ii) [REDACTED],
 - (iii) [REDACTED],
 - (iv) [REDACTED],
 - (v) [REDACTED], and
 - (vi) this Consent Order.
 - (b) **By August 1, 2011**, submit timetable for training to address [REDACTED] and /or from items (i) through (iv) above for Board and Supervisory Committee members and complete training **by November 1, 2012**. The timetable and training plan must be submitted and approved by the Assistant Director.²

¹ We define commonly expected standards using the expectations outlined in WAC 208, RCW 31.12 particularly section 267, NCUA's Letter to Federal Credit Unions 11-FCU-02 and Part V of the NCUA's Federal Credit Union Handbook (found at http://www.ncua.gov/GenInfo/GuidesManuals/fcu_handbook/fcu_handbook.pdf).

² At a minimum training is needed to address these [REDACTED]: (1.) Sufficient training to understand the meaning of and identify [REDACTED]; (2.)

Any materials, required by the provisions of this Consent Order or required by the Division to be furnished to the Division, will be sent to the following Division staff member at the fax number and e-mail address given below unless the Division provides other instructions to the Credit Union. The Division reserves the right to require the Credit Union to provide documents to a different person or to a different fax number, e-mail address or address as provided in a written notice from the Division to the Credit Union. If it is not practical to fax the materials because they are too voluminous, the Credit Union may mail the materials to the Division staff member at the address noted:

Enya De Castro, Examiner
Division of Credit Unions
Post Office Box 41200
Olympia, Washington 98504-1200
Fax number: 877-330-6870
dcu@dfi.wa.gov

Such materials will be considered as “furnished” to the Division when received by the Division staff member noted above.

III. ANCILLARY MATTERS

- A. Jurisdiction. Pursuant to chapter 31.12 RCW, the Credit Union and its Board of Directors agree that the Division has jurisdiction over the subject matter of the activities of the Credit Union discussed herein.
- B. Waiver of Review. The Credit Union and its Board of Directors agree to be bound by the terms and conditions of this Consent Order and enter into this Consent Order knowingly and voluntarily. The Credit Union and its Board of Directors have read this Consent Order in its entirety and fully understand and agree to all of the same. The Credit Union and its Board of Directors represent and warrant to each other that they have the full power and right to execute this Consent Order. The Credit Union and its Board of Directors waive any and all administrative and judicial review regarding the issuance of this Consent Order.
- C. Noncompliance Penalties. The Credit Union and its Board of Directors understand that failure to abide by the terms and conditions of this Consent Order may result in further legal action by the Assistant Director, including but not limited to, enforcement of this Consent Order under RCW 34.05.578 or any other applicable statutes or rules. In the event of such legal action, the Credit Union may be responsible to reimburse the Assistant Director for the costs incurred in pursuing such action, including but not limited to, attorney fees.
- D. Non-Preclusion. This Consent Order neither precludes nor estops future legal action by the Division, or its ability to base such action on past, present, or future material violations of

law, unsafe or unsound practices by, or unsafe or unsound conditions at the Credit Union. It may include, but is not limited to, the issuance of a temporary cease and desist order pursuant to RCW 31.12.595, the issuance of a notice of charges pursuant to RCW 31.12.585, the issuance of a notice of intent to remove a person from office or conduct of the affairs of the Credit Union pursuant to RCW 31.12.575, or the appointment of a conservator, liquidating agent, and/or receiver pursuant to RCW 31.12.637.

- E. Written Agreement with Director. This Consent Order constitutes a “written agreement entered into with the director” under RCW 31.12.005(13).
- F. Incorporation by Reference. Appendix A, attached hereto, is incorporated into this Consent Order by reference. References in this Consent Order to sections or parts of statutes or rules include successors to such sections or parts.

This Consent Order is entered into and takes effect this 29 June 8 day of June, 2011. This date is referred to in this Consent Order as the effective date of this Consent Order.

**DIVISION OF CREDIT UNIONS
DEPARTMENT OF FINANCIAL INSTITUTIONS
STATE OF WASHINGTON**

RECEIVED
JUN 08 2011
DIV. OF CREDIT UNIONS

Linda Jekel
Linda Jekel
Assistant Director

Cowlitz Credit Union:

Larry H Anderson
Larry Anderson, Board Chair

Virginia Russeff
Virginia Russeff, President/CEO

Larry Blinn
Larry Blinn, Director

Terri Anderson
Terri Anderson, Director

Jim Roettger
Jim Roettger, Director

Judy Alholm
Judy Alholm, Director

Bob Larson
Bob Larson, Director

Kurt Sacha
Kurt Sacha, Director

Appendix A to Supervisory Agreement - Definitions

As used in this SA, the following terms have the meanings set forth below.

1. "Financial statements" includes all of the following:

- a. Statement of Financial Condition for the quarter end
- b. Statement of Income and Expense for the quarter and year-to-date
- c. Dollar amount of delinquent loans for the quarter-end
- d. Dollar amount of charge-offs and recoveries for the year-to-date
- e. Analysis of adequacy of ALLL funding for the quarter end

2. "Net Worth" means retained earnings as defined under Generally Accepted Accounting Principles. Retained earnings normally include undivided earnings and regular reserves. It does not include the ALLL or the Accumulated Unrealized Gains (Losses) on Available for Sale Securities.

3. **Terms as defined in NCUA Letter 161.** The definitions of the terms set forth below are similar to the definition of these same terms set forth in NCUA Letter 161. It should also be noted that for the most part the definitions of these terms use line items from the 5300s call reports. In the event the NCUA revises the definition of any of these terms in Letter 161, or revises the related line items in the 5300s, the Division may substitute a reasonably similar definition of the terms upon written notice to the Credit Union.

a. **Delinquent Loans/Total Loans** means

Total of Loans Delinquent More Than 2 Months
divided by
Total Loans

b. **Net Charge-offs/Average Loans** means

[Total of Loans Charged Off (prior 12-month period) - Total Recoveries (same period)]
divided by
Average Loans

c. **Operating Expenses/Average Assets {Annualized}** means

[Total Operating Expenses - Provision for Loan Losses - Provision for Investment Losses]
divided by
((Current Period Assets + Priority Year-end Assets)/2)

d. **Return on Average Assets** means

(([Net Income (Loss) After All Operating Expenses and All Cost of Funds] divided by # months
in Year to Date) times 12) divided by
[(Current Period Assets + Prior Year-end Assets) divided by 2]