

**THE SUPERINTENDENT OF BANKS OF THE STATE OF NEW YORK
NEW YORK, NEW YORK**

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In the Matter of	:	
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Empire Branch 36 National Association of	:	ORDER TO CEASE AND
Letter Carriers Credit Union	:	DESIST PURSUANT TO
New York, New York	:	SECTION 39 OF THE
	:	BANKING LAW
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WHEREAS, Empire Branch 36 National Association of Letter Carriers Credit Union (the "Credit Union") is a New York State membership corporation having its principal place of business in New York, New York; and

WHEREAS, at all relevant times, the Credit Union has been and is subject to the New York Banking Law and the related rules and regulations that have been promulgated thereunder; and

WHEREAS, the Superintendent of Banks of the State of New York (the "Superintendent") possesses the authority under Section 39 of the New York Banking Law to issue an order to the Credit Union (the "Order") to discontinue unlawful or unauthorized or unsafe practices; and

WHEREAS, based on the results of an examination of the Credit Union, conducted by the New York State Banking Department (the "Department") and the National Credit Union Administration ("NCUA") as of the close of business December 31, 2003, the Superintendent has

determined that the Credit Union must take immediate action to discontinue engaging in certain unsafe and unsound practices and cure certain deficiencies in internal controls; and

WHEREAS, the Credit Union has acknowledged the existence of these deficiencies and the need for immediate corrective action, and has begun to take steps necessary to implement a comprehensive remediation program; and

WHEREAS, on September 22, 2004, the board of directors of the Credit Union (the "board"), at a duly constituted meeting, adopted resolutions:

- A. Authorizing and directing each member of the board to enter into this Order on behalf of the Credit Union and consenting to compliance by the Credit Union and each of its insiders, as defined in Part 11 of the General Regulations of the Banking Board, successors and assigns with each and every provision of this Order; and
- B. Waiving any and all rights to contest the issuance of this Order by the Superintendent, pursuant to Section 39 of the New York Banking Law; and
- C. Waiving any and all rights to judicial review of this Order; and

- D. Waiving any and all rights to challenge or contest the validity, effectiveness, terms or enforceability of any of the provisions of this Order.

NOW, THEREFORE, IT IS HEREBY ORDERED that the Credit Union and its directors, officers, employees, agents and other "institution-affiliated parties," shall cease and desist from the following unsafe and unsound practices and violations:

- (a) Engaging in unsafe lending and loan administration practices;
- (b) Operating the Credit Union with an inadequate allowance for loan and lease losses;
- (c) Operating the Credit Union with inadequate internal controls and unsatisfactory risk management policies and procedures;
- (d) Operating the Credit Union with management policies and practices that are detrimental to the Credit Union and that jeopardize the safety of its assets;
- (e) Operating the Credit Union with a board and a Supervisory Committee (the "Committee") that have failed to provide adequate supervision over, and direction to, the officers, employees, agents and other "institution-affiliated parties" of the Credit Union;
- (f) Using inappropriate accounting methods;

- (g) Operating the Credit Union without personnel who have the experience necessary to ensure the safe and sound operation of the Credit Union, and compliance with all applicable laws and regulations; and

IT IS FURTHER ORDERED that the Credit Union take the following affirmative actions to remedy the deficiencies noted above:

1. Within 30 days from the effective date of this Order, the board shall hire an independent consultant ("Consultant") to evaluate the productivity and effectiveness of the current management team, including staff personnel where appropriate, factors to be considered in such evaluations shall include, among others those set forth in Paragraph 3 below.
2. Within 90 days from the effective date of this Order, Credit Union shall make decisions regarding the feasibility of every position and make strategic changes, if necessary, based on the recommendations of Consultant.
3. Within 90 days from the effective date of this Order, Consultant shall develop written standards for the evaluation of management performance. The board shall incorporate the following criteria in their evaluation of management performance: (a) financial results; (b) internal controls; (c)

quality of recordkeeping and (d) the results of the regulatory examinations.

4. Prepare written evaluations of management personnel within 30 days of the effective date of this Order, and the board shall prepare them on a quarterly basis thereafter.
5. Within 30 days of the effective date of this Order request that CUNA Mutual Insurance Company ("CUNA") conduct a risk management audit.
6. Ensure that the board review, and if necessary, amend and approve, the following policies and procedures on an annual basis: (1) Security Policy and Procedure; (2) Bank Secrecy Act/Office of Foreign Assets Control (OFAC) Policy and Procedures; (3) USA Patriot Act Compliance Program/Procedures; (4) Loan Charge-Off Policies; and (5) Allowance for Loan and Lease Losses Policy (ALLL). Board review, amendment and/or approval should be evidenced in board minutes.
7. Board, with the assistance of the Consultant, shall establish appropriate written internal controls to monitor the reimbursement of travel, transportation, meals and parking for board members, credit committee members, and supervisory committee members who perform official duties on behalf of the

Credit Union. Written internal controls should also exist for all other employees who incur such expenses.

8. Ensure that the board authorizes payment of dividends only from current available earnings after paying for expenses.
9. Ensure that reserves for doubtful loans are set aside in a timely manner and in an appropriate way.
10. Ensure that management prepares a 2004 budget by no later than October 31, 2004, and a 2005 budget by no later than December 15, 2004.
11. Ensure that budgeted operating results are compared with actual operating results on a monthly basis and that variances greater than 10% are explained and/or discussed in board meetings, and that such discussions are noted in board minutes.
12. Within 30 days from the effective date of the Order, the board shall determine whether to hire a professional loan officer in lieu of having a credit committee.
13. Ensure that the Supervisory Committee or its paid representative perform and document the following random audit function on a quarterly basis:
 - Review inactive, closed, or dormant account reports
 - Review supervisory override reports
 - Review paid ahead loan reports

- Review payments from collection agencies and insurance companies to ascertain appropriate postings
- Review compliance with Bank Secrecy Act
- Review bank reconciliations and all accruals
- Review data change reports (file maintenance reports)
- Review loan files for compliance with policy and practices
- Review overdraft and negative share balances.

14. By the 30th day after the end of the month following the effective date of this Order, and end of every month thereafter, the Credit Union shall furnish written progress reports to the Superintendent detailing the form, content and manner of any actions taken to secure compliance with this Order, and the results thereof.

15. The provisions of this Order shall be binding upon the Credit Union and its successors, directors, officers, employees, agents and other institution-affiliated parties.

16. The provisions of this Order shall remain effective and enforceable except to the extent that, and until such time as, any provisions of this Order shall have been modified, terminated, suspended, or set aside in writing by the Superintendent.

17. The provisions of this Order shall not bar, estop, or otherwise prevent the Superintendent from taking any other action affecting the Credit Union, or any of its current or former institution-affiliated parties.

Brenda Edwards
Director

Date _____

Winfred Jenkins, Jr.
Supervisory Committee

Date _____

Dudley O. Menzies
Supervisory Committee

Date _____

Paul Curry
Supervisory Committee

Date _____