NEW YORK STATE
DEPARTMENT OF FINANCIAL SERVICES

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In the Matter of

Melrose Credit Union
Briarwood, New York

Consent Order
Issued Pursuant
to Section 39 of the
New York Banking Law

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WHEREAS, in recognition of their common goals to ensure compliance with all applicable federal and state laws, rules and regulations, and the conduct of safe and sound banking operations by MELROSE CREDIT UNION (the "Credit Union"), a New York State-chartered institution, the New York State Department of Financial Services (the "Department") and the Credit Union have mutually agreed to enter into this Consent Order (the "ORDER") issued pursuant to Section 39 of the New York Banking Law (the "Banking Law"); and

WHEREAS, the Department and the National Credit Union Administration (the "NCUA"), recently completed a joint safety and soundness examination of the Credit Union, as of December 31, 2015 (the "Examination"); and

WHEREAS, as a result of the Examination, the Department and the NCUA identified significant supervisory concerns relating to the conduct of the Credit Union's business, including unsafe and unsound banking practices and apparent violations of laws and regulations; and

WHEREAS, the Superintendent of Financial Services of the State of New York (the "Superintendent") possesses the authority under Banking Law Section 39 to issue this ORDER directing the Credit Union to discontinue unlawful and unsafe practices; and

WHEREAS, the Superintendent believes that prompt enforcement action and the issuance of this ORDER is necessary to address the aforementioned supervisory concerns with respect to the Credit Union; and

WHEREAS, additional enforcement action consistent with the duties, powers and obligations of the Superintendent may be taken as required and if necessary to address these and any other supervisory concerns of the Department with respect to the Credit Union; and

WHEREAS, the Board of Directors of the Credit Union (the "Board"):

1. Stipulates and consents to the issuance of this ORDER on behalf of the Credit Union and consents to compliance on behalf of the Credit Union with each and every provision of this ORDER;

2. Waives any and all rights to judicial review of this ORDER; and

3. Waives any and all rights to challenge or contest the validity, effectiveness, terms or enforceability of the provisions of this ORDER.

NOW, THEREFORE, IT IS HEREBY ORDERED pursuant to Banking Law Section 39 that the Credit Union shall not engage in unsafe or unsound banking practices and not violate applicable laws or regulations.

IT IS FURTHER ORDERED that the Credit Union, its institution-affiliated parties, and its successors and assigns, shall take affirmative action as follows:

CORRECTION AND PREVENTION

Beginning on the effective date of this ORDER, the Credit Union shall take all steps necessary, consistent with the provisions of this ORDER and sound banking practices, to correct

and prevent the unsafe or unsound banking practices and violations of law and regulation identified by the Department and the NCUA during the 2015 Examination.

In addition, the Board and Supervisory Committee of the Credit Union shall take all steps necessary for the Credit Union to be operated with adequate management supervision and Board oversight to prevent any future unsafe or unsound banking practice or violations of laws or regulations.

BOARD AND SUPERVISORY COMMITTEE PARTICIPATION

1. (a) The Board and Supervisory Committee shall review all policies of the Credit Union and objectives of the Credit Union and increase its participation in the affairs of the Credit Union, including, but not limited to, the approval of sound policies and objectives and for the supervision of the Credit Union's activities, consistent with the role and expertise commonly expected for directors of credit unions of a comparable size.

b) The Board and Supervisory Committee's participation shall include meetings to be held no less frequently than on a monthly basis at which, at a minimum, the following areas shall be reviewed and approved, in accordance with any applicable provision(s) of this ORDER: reports of income and expenses; detailed reports regarding new, overdue, renewed, restructured, charged-off, and recovered loans; investment activity reports; liquidity levels and funds management reports; adoption or modification of operating policies; individual committee reports (which may incorporate certain of the foregoing items); audit reports; internal control reviews including management's responses thereto; a reconciliation of all general ledger accounts; and compliance with this ORDER.

c) Board minutes shall document all Board determinations and findings, including the name of each approving and dissenting director, and contain detailed information of any related actions or discussions. The Board minutes shall be prepared on a timely basis and maintained in accordance with applicable laws and regulations.

d) The Credit Union shall notify the Superintendent and the Regional Director of the NCUA's New York Regional Office (the "Regional Director") in writing of the resignation, termination or change in duties or responsibilities of any member of its Board in compliance with Section 469 of the Banking Law, or any of its senior executive officers ("Senior Executive Officers") as that term is defined in the NCUA's Rules and Regulations within 10 days of any such event. Any notification required by this subsection shall include a description of the background(s) and experience of any proposed replacement personnel and must be received at least 30 days prior to the replacement personnel assuming their new position(s). The Credit Union shall establish procedures to ensure compliance with Section 469 of the Banking Law, Section 212(f) of the Federal Credit Union Act and Section 701.14 of the NCUA's Rules and Regulations.

BOARD AND MANAGEMENT

2. (a) The Credit Union shall have and retain qualified management. At a minimum, such management shall include:

(i) a Chief Executive Officer with proven ability in managing a credit union or bank of comparable size and complexity, with experience improving asset quality of a low-quality loan portfolio;

(ii) a Senior Lending Officer with an appropriate level of lending, collection, and loan supervision experience for the type and quality of the Credit Union's loan portfolio; and

(iii) a Chief Financial Officer with demonstrated ability in all financial areas including, but not limited to, accounting, regulatory reporting, budgeting and planning, management of the institution's investment function, liquidity management, and interest rate risk management.

(b) The qualifications of management shall be assessed on the ability of its individual members, as well as its collective ability, to:

(i) comply with the requirements of this ORDER;

(ii) operate the Credit Union in a safe and sound manner;

(iii) comply with applicable laws, rules, and regulations; and

(iv) restore all aspects of the Credit Union to a safe and sound condition, including, in particular, its capital adequacy, asset quality, management effectiveness, earnings and liquidity/funds management.

(c) Within 30 days from the effective date of this ORDER, the Credit Union shall retain a qualified independent third party consultant, acceptable to the Superintendent in her sole discretion, to develop a written analysis of the Credit Union's management needs ("Management Report").

(d) The Management Report shall be developed within 90 days from the effective date of this ORDER and shall, at a minimum:

(i) identify the qualifications and number of directors, Supervisory Committee members and officer positions needed to properly manage and supervise the affairs of the Credit Union;

(ii) identify and establish such Credit Union committees as are needed to provide guidance and oversight to active management;

(iii) evaluate the current and past performance of the Board and its Officers (President, Vice President, Treasurer and Secretary), the Supervisory Committee, Senior Executive Officers and workout consultants of the Credit Union, indicating whether they are competent and qualified to operate the Credit Union in a safe and sound manner;

(iv) evaluate the Board, Supervisory Committee, workout consultants, and all Credit Union Senior Executive Officers, and determine whether these individuals possess the ability, experience and other qualifications required to perform their 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;

(v) with respect to the positions of President of the Board and Chief Executive Officer of the Credit Union, and giving appropriate consideration to the size and complexity of the Credit Union, identify the authorities, responsibilities and accountabilities appropriate to their positions, and present a clear and concise description of the relevant knowledge, skills, abilities and experience necessary for these positions;

(vi) evaluate the Chief Executive Officer's compensation, including salary, bonuses and all other benefits;

(vii) evaluate the compensation of all of the Credit Union's Senior Executive Officers, including salaries, bonuses and other benefits provided to such individuals;

(viii) evaluate the Credit Union's Member Business Loan Department (the "MBL Department"), including workout and collections areas, staffing and individual qualifications;

(ix) provide a plan to recruit and hire requisite additional or replacement personnel with the ability, experience and other qualifications to fill those officer or staff member positions identified in the Management Report; and

(x) recommend procedures for the periodic review and update of the Management Report and assess the performance of the each Senior Executive Officer (including the Chief Executive Officer) and staff member.

(e) Within 15 days from the effective date of this ORDER, the Credit Union shall provide the Superintendent with a copy of the proposed engagement letter or contract with the third-party, in connection with creating the Management Report, for non-objection or comment by the Superintendent before it is executed.

(f) The contract or engagement letter shall include, at a minimum:

(i) a description of the work to be performed under the contract or engagement letter, the fees for each significant element of the engagement, and the aggregate fee;

(ii) the responsibilities of the firm or individual;

(iii) identification of the professional standards covering the work to be performed;

(iv) identification of the specific procedures to be used when carrying out the work to be performed;

(v) the qualifications of the employee(s) who are to perform the work;

(vi) the time frame for completion of the work;

(vii) any restrictions on the use of the reported findings;

(viii) a provision for unrestricted access to work papers by the Department and the NCUA; and

(ix) a certification that the firm or individual is not affiliated in any manner with the Credit Union, any director, Supervisory Committee member or officer and is otherwise conflict free.

(g) Within 30 days from receipt of the Management Report, the Credit Union shall formulate a written plan ("Management Plan") that incorporates the findings and recommendations of the Management Report, and includes a plan of action acceptable to the Board in response to each recommendation contained in the Management Report, and a time frame for completing each action.

(h) At a minimum, the Management Plan shall:

(i) contain a plan of action to respond to each recommendation included in the Management Report, and detail a time frame acceptable to the Superintendent for completing each action;

(ii) include provisions to implement necessary training and development for all employees;

(iii) include provisions to implement any necessary recommendations included in the Management Report with respect to the MBL Department;

(iv) establish procedures to periodically review and update the Management Plan, as well as periodically review and assess the performance of each officer and staff member; and

(v) set forth a current management succession plan.

(i) The Credit Union shall submit a Management Plan to the Superintendent, with a copy to the Regional Director, for non-objection or comment by the Superintendent. If the Superintendent requests revisions to the Management Plan to make it non-objectionable, the Credit Union shall, within 10 days, make appropriate revisions to the Management Plan and then resubmit the Management Plan to the Superintendent. Promptly after notification of non-objection of the Management Plan by the Superintendent, the Board shall approve the Management Plan, recording

such approval in the minutes of the Board meeting. Thereafter, the Credit Union shall implement and comply with the Management Plan.

CLASSIFIED ASSETS REDUCTION

3. (a) Within 90 days from the effective date of this ORDER, the Credit Union shall formulate and submit to the Superintendent for review, as described in subsection (c) below, a written plan ("Classified Asset Plan") the goal of which is to reduce the Credit Union's risk position in each asset which is classified "Substandard" or "Doubtful" in the December 31, 2015 Report of Examination (the "2015 Report of Examination"). For purposes of this provision, "reduce" means to collect, sell, charge off, or improve the quality of an asset so as to warrant its removal from adverse classification by the Superintendent.

(b) The Classified Asset Plan shall include, at a minimum, the following:

(i) an action plan to review, analyze and document the current financial condition of each classified asset borrower including source of repayment, repayment ability, and alternative repayment sources, as well as the value and accessibility of any pledged or assigned collateral, and any possible actions to improve the Credit Union's collateral position;

(ii) a schedule for seeking to reduce the outstanding dollar amount of each adversely classified asset, including timeframes for achieving the reduced dollar amounts (at a minimum, the schedule for each adversely classified asset must show its dollar balance on a quarterly basis);

(iii) specific action plans intended to reduce the Credit Union's risk exposure in each classified asset;

(iv) delineated areas of responsibility for loan officers, including workout specialists; and

(v) provision(s) for the submission of monthly written progress reports to the Board and Supervisory Committee for review and notation in minutes of the Board meetings.

(c) The Credit Union shall submit a Classified Asset Plan to the Superintendent, with a copy to the Regional Director, for non-objection or comment by the Superintendent. If the Superintendent requests revisions to the Classified Asset Plan to make it non-objectionable, the Credit Union shall, within 30 days, make appropriate revisions to the Classified Asset Plan and then resubmit the Classified Asset Plan to the Superintendent. Promptly after notification of non-objection of the Classified Asset Plan by the Superintendent, the Board shall approve the Classified Asset Plan, recording such approval in the minutes of the Board meeting. Thereafter, the Credit Union shall implement and comply with the Classified Asset Plan.

(d) Without the prior written approval of the Department, the Credit Union shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower who is already obligated in any manner to the Credit Union on any extensions of credit (including any portion thereof) that has been charged off the books of the Credit Union or classified "Loss" in the 2015 Report of Examination or any future report of examination, so long as such credit remains uncollected.

(e) The Credit Union shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower whose loan or other credit has been classified "Substandard", "Doubtful", or is listed for "Special Mention" in the 2015 Report of Examination or any future report of examination, and is uncollected, unless the Board, or a designated committee thereof, provides in writing, a detailed explanation of why the extension is in the best interest of the Credit

Union. Prior to extending additional credit pursuant to this section, whether in the form of a renewal, extension, or further advance of funds, such additional credit shall be approved by the Board or a designated committee thereof, who shall determine that an appropriate workout plan has been developed and will be implemented in conjunction with the additional credit to be extended.

(f) The Board's or the Board's designated committee's determinations and approvals with respect to this section shall be recorded in the minutes of the Board meeting or designated Board committee meeting and copies thereof shall be submitted to the Superintendent and the Regional Director at such times as the Credit Union submits the progress reports required by this section of the ORDER, or sooner upon the written request of the Superintendent.

LOSS CHARGE-OFF

4. By the next Quarter-end subsequent to this ORDER, the Credit Union shall eliminate from its books, by sale, charge-off or collection, all assets or portions of assets classified "Loss" by the Department and the NCUA in the 2015 Report of Examination that have not been previously collected or charged off. Elimination or reduction of such assets with the proceeds of other Credit Union extensions of credit shall not be considered "collection" for purposes of this section. Thereafter, within 10 days after the receipt of any report of examination of the Credit Union from the Department or the NCUA, the Credit Union shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified "Loss" in any report of examination that have not been previously collected or charged off.

CONCENTRATIONS

5. (a) Within 90 days from the effective date of this ORDER, the Credit Union shall formulate and submit for review as described in subsection (b) below, a written plan to prudently reduce and manage its taxi medallion loan concentrations for New York, Chicago and Philadelphia (the "Concentrations Reduction Plan"), to the extent feasible given market conditions, the existing loan portfolio and the Credit Union's authority to restructure or refinance loans. At a minimum, the Concentrations Reduction Plan shall provide for written procedures for the ongoing measurement and monitoring of the concentrations of credit, and a limit on concentrations commensurate with the Credit Union's capital position, business strategy, management expertise, size, location, safe and sound banking practices, and the overall risk profile of the Credit Union. Such plan shall prohibit any advances that would increase the concentration unless the advance is pursuant to an existing loan agreement and is otherwise permissible pursuant to this ORDER.

(b) The Concentrations Reduction Plan shall be submitted to the Superintendent, with a copy to the Regional Director, for non-objection or comment by the Superintendent. Within 30 days from receipt of non-objection or any comments from the Superintendent, and after incorporation and adoption of all comments, the Board shall approve the Concentration Reduction Plan, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Credit Union shall implement and comply with the plan.

ALLOWANCE FOR LOAN AND LEASE LOSSES ("ALLL")

6. a) Within 30 days from the effective date of this ORDER, the Credit Union shall fund the ALLL shortfall identified during this examination and develop and submit for review as described in subsection (e) below, a comprehensive policy and methodology for determining the

ALLL. The ALLL policy shall provide for a review of the ALLL at least once each calendar quarter. Said review should be completed no later than 14 days subsequent to the end of each calendar quarter in order that the results of the review conducted by the Board may be properly reported in the quarterly Consolidated Reports of Condition and Income. Such reviews shall, at a minimum, be made in accordance with:

(i) Financial Accounting Standards Board ("FASB") ASC 310-40 and FASB ASC 310-10-35-2 through 30;

(ii) the *Interagency Statement of Policy on the Allowance for Loan and Lease Losses* (NCUA Accounting Bulletin No. 06-01, issued December 13, 2006);

(iii) other applicable regulatory guidance, including Reports of Examination, that addresses the appropriateness of the Credit Union's ALLL; and

(iv) any analysis of the Credit Union's ALLL provided by the Superintendent and NCUA.

(b) Such reviews shall include, at a minimum:

(i) the Credit Union's loan loss experience;

(ii) an estimate of the potential loss exposure in the portfolio; and

(iii) trends of delinquent and nonaccrual loans and prevailing and prospective economic conditions.

(c) A deficiency in the ALLL shall be remedied in the calendar quarter in which it is discovered by a charge to current operating earnings prior to the Credit Union's submission of its call report. The Credit Union shall thereafter maintain an appropriate ALLL.

(d) The analysis supporting the determination of the adequacy of the ALLL shall be submitted to the Superintendent with a copy to the Regional Director. These submissions shall be

made at such times as the Credit Union files the progress reports required by this ORDER or sooner upon the written request of the Superintendent. In the event that the Superintendent determines that, consistent with the authorities set forth in subsections 6(a)(i)-(iv), the Credit Union's ALLL is inadequate, the Credit Union shall increase its ALLL and amend its call reports accordingly.

(e) The minutes of the Board meetings at which such reviews are undertaken shall detail the reviews and the resulting recommended adjustment in the ALLL or the basis for any determination not to require provisions for loan losses. Any such determination must be accompanied by a detailed financial analysis underlying the Board's determination.

LOAN POLICY

7. (a) Within 90 days from the effective date of this ORDER, the Credit Union shall review the Credit Union's loan policies and procedures, including the Member Business Loan Policy, Troubled Debt Restructure Policy, Loan Charge-off Policy and, based upon such review, shall make all appropriate revisions to the loan policies and procedures (the "Loan Policies and Procedures") necessary to address the lending policy deficiencies identified in the 2015 Report of Examination and prior Reports of Examination. The revised Loan Policies and Procedures shall be submitted for review as described in subsection (c) below. The Board shall also establish review and monitoring procedures to ensure that all lending personnel adhere to the Loan Policies and Procedures, and that the Board receives timely and fully documented reports on loan activity, including reports that identify deviations from the Loan Policies and Procedures.

(b) The Loan Policies and Procedures shall, at a minimum:

(i) require that all extensions of credit originated or renewed by the Credit Union, including loans purchased from a third party (loan participations):

a. have a clearly defined and stated purpose;

b. have a predetermined and realistic repayment source and schedule, including any secondary source of repayment and including a refinancing with the Credit Union or another lender;

c. are supported by complete loan documentation, including lien searches, perfected security interests, and collateral valuations; and

d. are supported by current financial information, profit and loss statements or copies of tax returns, and cash flow projections, which shall be maintained throughout the term of the loan, and are otherwise in conformance with the Loan Policies and Procedures;

(ii) incorporate limitations on the amount that can be loaned in relation to established collateral values, require the source of collateral valuations to be identified, require that collateral valuations be completed prior to the commitment to lend funds, and require that collateral valuations be reevaluated on a periodic basis over the term of the loan;

(iii) require accurate reporting of past due loans to the Board at least monthly;

(iv) require monthly reporting to the Board, or a designated board committee, of each loan granted an exception to the Loan Policies and Procedures and aggregation of such loans in the portfolio; and

(v) prohibit the capitalization of interest or loan-related expenses unless the Board or a designated board committee provides, in writing, a detailed explanation of why such action is in the best interest of the Credit Union.

(c) The Credit Union shall submit Loan Policies and Procedures to the Superintendent, with a copy to the Regional Director, for non-objection or comment by the Superintendent. If the Superintendent requests revisions to the Loan Policies and Procedures to make it non-objectionable, the Credit Union shall, within 30 days, make appropriate revisions to the Loan Policies and Procedures and then resubmit the Loan Policies and Procedures to the Superintendent. Promptly after notification of non-objection of the Loan Policies and Procedures by the Superintendent, the Board shall approve the Loan Policies and Procedures, recording such approval in the minutes of the Board meeting. Thereafter, the Credit Union shall implement and comply with the Loan Policies and Procedures.

INDEPENDENT LOAN REVIEW

8. (a) Within 60 days from the effective date of this ORDER, the Credit Union shall engage or employ a qualified experienced and independent firm or individual(s) ("Independent Consultant"), who is or are acceptable to the Superintendent in her sole discretion, and that will constitute and perform the functions of an independent loan review department (the "Independent Loan Review Department"). The Credit Union shall provide the Superintendent with a copy of the proposed engagement letter or contract with the Independent Consultant (or qualifications if an individual) for non-objection or comment before it is executed.

(b) The Independent Loan Review Department shall report directly to the Board on a monthly basis and on a quarterly basis provide its qualitative assessment of the total loan portfolio, loan workout status/progress and action plans, identification of loans that should be classified as TDRs, and validation of the internal loan risk rating system highlighting any material differences in its credit ratings in comparison to the MBL Department ratings. The

ratings used by the Independent Loan Review Department shall follow the bank regulatory loan ratings and definitions (e.g.: Substandard, Doubtful, Loss, and Special Mention).

(c) The Independent Loan Review Department shall on a quarterly basis review and assess the adequacy of the ALLL and make recommendations to the Board as to future funding requirements for the ALLL.

(d) In conducting its loan reviews, the Independent Loan Review Department shall provide MBL management with its assessment of credit administration practices, including credit underwriting, and highlight all loan policy exceptions.

(e) For purposes of this section 8, "Independent Consultant" shall mean a firm or individual which is not affiliated through ownership or familial interests with the Credit Union or any of its Board or Supervisory Committee members, has not previously been employed or compensated in any way by the Credit Union, and will not be compensated in a way that would impact its judgment. The independence of a consultant shall not be impacted or impaired if the Credit Union or its agents or representatives review and suggest factual corrections to any report it produces.

MEMBER BUSINESS LOAN DEPARTMENT

9. (a) Credit administration and underwriting procedures and practices shall be enhanced as presented and directed in the 2015 Report of Examination.

(b) The internal risk rating system shall be reviewed and revised to be fully in line with applicable regulatory standards and loan ratings. The internal risk ratings assigned by loan officers shall be validated by the internal loan review function routinely; and, adjustments shall be made to the risk ratings accordingly and captured within the ALLL methodology.

INTERNAL ROUTINE AND CONTROLS

10. (a) Within 90 days from the effective date of this ORDER, the Credit Union shall develop and submit for review, as described in subsection (b) below, the Credit Union's internal routine and controls policy ("IRC Policy") for the operation of the Credit Union in such a manner as to provide adequate internal routines and controls consistent with safe and sound practices.

(b) The Credit Union shall submit the IRC Policy to the Superintendent, with a copy to the Regional Director, for non-objection or comment by the Superintendent. If the Superintendent requests revisions to the IRC Policy to make it non-objectionable, the Credit Union shall, within 30 days, make appropriate revisions to the IRC Policy and then resubmit the IRC Policy to the Superintendent. Promptly after notification of non-objection of the IRC Policy by the Superintendent, the Board shall approve the IRC Policy, recording such approval in the minutes of the Board meeting. Thereafter, the Credit Union shall implement and comply with the IRC Policy.

AUDIT PROGRAM

11. (a) Within 120 days from the effective date of this ORDER, the Credit Union shall develop internal and external audit programs ("Audit Programs") that establish procedures to protect the integrity of the Credit Union's operational and accounting systems. At a minimum the Audit Programs shall:

(i) comply with Section 475 of the Banking Law and Sections 715.1 and 715.3 of the NCUA's Rules and Regulations and principles outlined in the NCUA's Guide for Supervisory Committee;

(ii) provide procedures to test the validity and reliability of operating systems, procedural controls, and resulting records; and

(iii) provide for monthly reports of audit findings from the auditors directly to the Board. The minutes of the Board shall reflect consideration of these reports and describe any discussion or action taken as a result thereof.

(b) The Credit Union shall provide the Superintendent with a copy of all external and internal audit reports, and management letters within 15 days of the Credit Union's receipt of such report(s). The Board shall address all findings of the audit reports at its next regular meeting after receipt of the reports. Any action taken to address audit report findings shall be noted in the minutes of the Board meeting with each individual member's vote recorded.

(c) The Credit Union shall submit Audit Programs to the Superintendent, with a copy to the Regional Director, for non-objection or comment by the Superintendent. If the Superintendent requests revisions to the Audit Programs to make it non-objectionable, the Credit Union shall, within 30 days, make appropriate revisions to the Audit Programs and then resubmit the Audit Programs to the Superintendent. Promptly after notification of non-objection of the Audit Programs by the Superintendent, the Supervisory Committee shall approve the Audit Programs, recording such approval in the minutes of the Supervisory Committee meeting. Thereafter, the Credit Union shall implement and comply with the Audit Programs.

LIQUIDITY

12. (a) Within 90 days from the effective date of this ORDER, the Credit Union will increase its primary liquid assets (cash, cash equivalents and short-term investments) as a percentage of its total assets to a minimum of 3% or to a level sufficient to meet its projected cash

requirements for a ninety day period, whichever is greater. The projected cash flow report shall be in the manner as specified in the 2015 Report of Examination or as it may be revised by the Superintendent or NCUA in their sole discretion.

(b) Within 90 days from the effective date of this ORDER, the Credit Union shall obtain and thereafter maintain additional liquidity represented by the aforementioned primary liquid assets plus investments that are investment grade and held as available for sale ("Secondary Liquid Assets"). The Credit Union shall maintain a combined primary and Secondary Liquid Asset position relative to total assets of a minimum of 5%.

BUDGET PLAN

13. (a) Within 120 days from the effective date of this ORDER, and within the first 30 days of each calendar year thereafter, the Credit Union shall formulate and submit for review as described in subsection (c) below, a written budget plan ("Budget Plan") 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 ORDER.

(b) The Budget Plan shall include, at a minimum:

(i) a description of the operating assumptions that form the basis for, and adequately support, all material projected revenue and expense components;

(ii) specific goals to maintain appropriate provisions to the ALLL;

(iii) realistic and comprehensive budgets for all categories of income and expense;

(iv) an executive compensation plan to address any and all salaries, bonuses and other benefits of every kind or nature whatsoever, both current and deferred, whether paid directly

or indirectly. The executive compensation plan shall incorporate qualitative as well as profitability performance standards for the Credit Union's Senior Executive Officers;

(v) 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 quarterly; and

(vi) a recording in the Board minutes of the results of the budget review and any actions taken by the Credit Union as a result of the budget review.

(c) The Credit Union shall submit a Budget Plan to the Superintendent, with a copy to the Regional Director, for non-objection or comment by the Superintendent. If the Superintendent requests revisions to the Budget Plan to make it non-objectionable, the Credit Union shall, within 30 days, make appropriate revisions to the Budget Plan and then resubmit the Budget Plan to the Superintendent. Promptly after notification of non-objection of the Budget Plan by the Superintendent, the Board shall approve the Budget Plan, recording such approval in the minutes of the Board meeting. Thereafter, the Credit Union shall implement and comply with the Budget Plan.

STRATEGIC PLAN

14. (a) Within 120 days from the effective date of this ORDER, the Credit Union shall develop and submit for review as required by subsection (c) below, a written strategic plan ("Strategic Plan") supported by an operating budget and consisting of goals and strategies, consistent with sound practices, and taking into account the Credit Union's other written plans, policies, or other actions as required by this ORDER. The Strategic Plan shall contain an

assessment of the Credit Union's current financial condition and market area, and a description of the operating assumptions that form the basis for major projected income and expense components.

(b) The Strategic Plan shall include, at a minimum:

(i) identification of the major areas in and the means by which the Credit Union will seek to improve its operating performance;

(ii) specific goals to improve its net interest margin, increase interest income, reduce discretionary expenses;

(iii) financial goals, including pro forma statements for asset growth, capital adequacy, and earnings; and

(iv) coordination of the Credit Union's loan, investment, funds management, and operating policies, its Budget Plan and ALLL methodology, and its credit risk identification policy.

(c) The Credit Union shall submit a Strategic Plan to the Superintendent, with a copy to the Regional Director, for non-objection or comment by the Superintendent. If the Superintendent requests revisions to the Strategic Plan to make it non-objectionable, the Credit Union shall, within 30 days, make appropriate revisions to the Strategic Plan and then resubmit the Strategic Plan to the Superintendent. Promptly after notification of non-objection of the Strategic Plan by the Superintendent, the Board shall approve the Strategic Plan, recording such approval in the minutes of the Board meeting. Thereafter, the Credit Union shall implement and comply with the Strategic Plan.

(d) The Strategic Plan required by this ORDER shall be revised 10 days prior to the end of each calendar year, and approved by the Board, which approval shall be recorded in the

minutes of the Board meeting. Thereafter, the Credit Union shall implement and adhere to the revised Strategic Plan.

CORRECTION OF VIOLATIONS

15. The Credit Union shall take all steps necessary, consistent with other provisions of this ORDER and safe and sound banking practices, to, eliminate, correct and prevent unsafe or unsound banking practices, violations of law or regulation, and all contraventions of regulatory policies and guidelines.

ETHICS/CONFLICTS OF INTEREST POLICY

16. (a) Within 60 days from the effective date of this ORDER, the Credit Union shall revise its written ethics policy and procedures with regard to the ethical conduct and other standards of conduct and responsibilities for its directors, officers, employees, and other persons participating in the conduct of the Credit Union's affairs. The ethics policy and procedures shall address the financial interests and obligations of an individual that are in conflict with such individual's duties and responsibilities, and at a minimum shall contain the following:

(i) Participation, in any manner, in any transaction or extension of credit in which the individual, his or her spouse, child, partner, controlled organization or other related interest is involved; or, in any transaction with, or extension of credit to, an entity in which the individual has a financial interest, or serves as an officer, director, trustee, partner or employee; and

(ii) Receiving portions of the proceeds of extensions of credit made by the Credit Union to third parties.

(b) Within 60 days from the effective date of this ORDER, the Credit Union shall develop, adopt and implement a comprehensive conflicts of interest policy. At a minimum such policy must include specific guidelines for officers, directors and Supervisory Committee members of the Credit Union regarding conflicts of interests and specifically respond to any recommendations made in the Audit Reports required by this ORDER. The policy and its implementation shall be submitted to the Superintendent, with a copy to the Regional Director, for approval or non-objection by the Superintendent.

PROGRESS REPORTS

17. Within 30 days from the end of each calendar quarter following the effective date of this ORDER, the Credit Union shall furnish to the Superintendent, with a copy to the Regional Director, written and substantive progress reports detailing the form, manner, and results of any actions taken to secure compliance with this ORDER. All progress reports and other written responses to this ORDER shall be reviewed by the Board and made a part of the Board minutes.

GENERAL PROVISIONS

18. The provisions of this ORDER shall be effective on the date of issuance and shall remain effective and binding upon the Credit Union and each of its directors, officers, employees, agents, successors and assigns.

19. No promise, assurance, representation or understanding, other than those contained in this ORDER, has been made to induce the Credit Union and its directors to agree to the provisions of this ORDER.

20. No provision of this ORDER shall bar, estop or otherwise prevent or preclude the Department or any federal or state agency or department from taking additional action affecting the Credit Union or any of its officers, directors or employees.

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

22. In the event the Superintendent determines that the Credit Union is in breach of any provision or requirement of this ORDER, the Superintendent shall provide notice to the Credit Union, which shall have 7 days to rectify the asserted deficiency or non-compliance.

23. This ORDER may be executed in counterparts, each of which when so executed and delivered shall be an original, but all of which together shall constitute but one and the same instrument.

NOTICES

24. All communications regarding this ORDER shall be sent to:

Yolanda Ford
Deputy Superintendent of Banks
New York State Department of Financial Services
One State Street
New York, New York 10004

Mitchell Reiver
General Counsel
Melrose Credit Union
139-30 Queens Boulevard
Briarwood, New York 11435

By ORDER of the Superintendent of Financial Services
this 8th Day of July, 2016

NEW YORK STATE DEPARTMENT
OF FINANCIAL SERVICES

By: _____
Shirin Emami
Executive Deputy Superintendent - Banking
New York State
Department of Financial Services

MELROSE CREDIT UNION
Briarwood, New York

By: _____ 7/6/16
Paul Woldar date
Director/Chairperson

By: _____ 7/7/16
Laurie Benjamin date
Director/Vice Chairperson

By: _____ 7/7/16
Scott Deutchman date
Director/Secretary

By: _____
Sydney Deitz date
Director

By: _____ 7/8/16
Rosalie Dornstein date
Director

By: _____ 7/8/16
Lee Komitor date
Director

By: _____ 7/1/16
Paul Cynamon date
Supervisory Committee Chairman